

# **MUNICIPAL FINANCE MANUAL**

**DEPARTMENT OF MUNICIPAL AFFAIRS  
PROVINCE OF ONTARIO**



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OntarioDEPARTMENT OF MUNICIPAL AFFAIRS

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To the Municipal Treasurers and Auditors of Ontario:

On behalf of the Department of Municipal Affairs, I am pleased to present this Municipal Finance Manual.

It has been prepared by officers of the Department to serve as a guide and reference source for the assistance of municipal officials responsible for municipal financial reporting and municipal financial administration.

My appreciation is extended to the members of the Advisory Committees of the Institute of Chartered Accountants of Ontario and the Association of Municipal Clerks and Treasurers of Ontario whose knowledge and experience made a significant contribution to the studies which preceded the issue of this manual.

The officers of the Municipal Accounting Branch and the Municipal Subsidies Branch of this Department are available for further information or consultation at your request.

Yours very truly,

W. DARCY McKEOUGH,  
Minister.



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BULLETIN

# 1

## THE MUNICIPAL REPORTING STRUCTURE

*a guide for  
municipal treasurers and auditors  
in preparing  
the annual financial report*

Municipal Accounting Branch  
ONTARIO DEPARTMENT OF MUNICIPAL AFFAIRS







## I The importance of the Municipal Reporting Structure

A municipality and its local boards provide a wide range of services to the public. For this and other reasons, the municipal organization structure is complex and the form of organization adopted by municipalities is not uniform. A service such as parks and recreation, for example, is provided by a local board in one municipality and by a committee of council in another. Sometimes several municipalities participate jointly in an inter-municipal or joint board which provides a service, such as a public health unit, on behalf of all the participating municipalities. Yet the same service may be provided in another municipality through its own local board. This dissimilarity between municipalities, when added to the wide variety of activities possible, presents a serious problem in achieving clarity and consistency of presentation in municipal financial reporting.

The reporting structure which has been adopted for Ontario municipalities and their local boards helps to minimize this problem and to provide for meaningful financial reports. Further, the structure ensures that the financial statements are presented clearly and logically, that the requirements of the applicable statutes are met, and that consistency in reporting is attained by all municipalities.

Since this reporting structure is fundamental to the financial reporting function, careful consideration has been given to:

- A. the identification of bodies which are responsible for providing services,
- B. the range and variety of legal relationships between the municipality and its local boards and between the municipality and inter-municipal or regional local government bodies,
- C. the source of revenue which sustains a service — whether it is substantially taxation or substantially charges on the users of the service.

## II An outline of the Reporting Structure

The financial statements of the municipality and its local boards are placed in three classifications:

- general municipal activities
- municipal enterprises
- school boards

### A. GENERAL MUNICIPAL ACTIVITIES:

those activities whose functions (1) are the ultimate responsibility of the municipal council; (2) are exercised on behalf of the inhabitants and taxpayers of the municipality; and (3) whose costs are not substantially recovered from special charges on the users of the services provided.

### B. MUNICIPAL ENTERPRISES:

those activities whose costs are substantially recovered from special charges on the users of the services provided.

### C. SCHOOL BOARDS:

those activities for which school boards are responsible. These classifications represent the basic reporting structure of the financial statements of the municipality and its local boards.

The financial statements of each activity or separate accounting entity must be properly classified within the basic reporting structure by applying the above definitions to it. In most instances, no difficulty will be encountered in classifying the financial statements of a board, commission or activity. However, there may be cases where it is difficult to apply the definitions and arbitrary decisions will have to be made. For example, while some cemetery boards obtain substantial amounts of their revenues from taxation, the majority obtain their revenues from other sources; an arbitrary decision has, therefore, been made to include the financial statements of cemetery boards in the category of municipal enterprises. The following list can be used as a guide in determining whether a service is to be reported as a general municipal activity or as a municipal enterprise.

### GENERAL MUNICIPAL ACTIVITIES

Boards of park management	Local boards of health
Boards of commissioners of police	and health units
Community centres	Museums
Emergency measures organizations	Planning boards
Industrial commissioners	Police villages
Library boards	Recreation commissions
	Sewage
	Welfare boards



## MUNICIPAL ENTERPRISES

Cemeteries	Municipally-owned
Electricity supply	public hospitals
Gas supply	Parking authorities
Homes for the aged	Telephone service
Housing authorities	Transportation service
	Water supply

## III Financial Statements, Notes to Financial Statements and Schedules

The basic plan of financial statement presentation is:

- First The financial statements of the municipality, including *Notes to the Financial Statements*.
- Second Schedules supporting the financial statements of the municipality.
- Third The financial statements of each general municipal activity.
- Fourth The financial statements of each municipal enterprise.
- Fifth The financial statements of each school board.

Since the form of organization of each municipality is different, the number of financial statements of general municipal activities, municipal enterprises and school boards will vary from one to another.

The financial statements, including the *Notes to the Financial Statements*, are complete within themselves and precede the schedules in order of presentation in recognition of their greater significance. *Notes to the Financial Statements* has equal status with the financial statements and must be included with them if the complete financial picture is to be presented. The financial statements of the municipality and of each of the general municipal activities, municipal enterprises and school boards will be presented in the following order:

*Statement of Revenue and Expenditure*

*Revenue Fund Balance Sheet*

*Statement of Source and Application of Capital Funds*

*Capital Fund Balance Sheet*

*Reserve Funds — Statement of Continuity and Balance Sheet*

*Trust Funds — Statement of Continuity and Balance Sheet*

*Sinking Funds — Statement of Revenue and Expenditure and Balance Sheet\**

*Notes to the Financial Statements*

The schedules expand the information contained in the statements and are important if a more detailed study is to be undertaken. Therefore, they are placed after the financial statements and notes.

## IV Future Refinements of the Reporting Structure

This reporting structure encourages improved clarity and consistency of presentation in municipal financial reports. Further refinements will be even more useful in making the financial reports of municipalities and their local boards easily understood by municipal officials and members of the general public. For example, a consolidation of the financial statements of the municipality and its general municipal activities would reduce considerably the number of statements that must be consulted in order to understand the overall financial position of the municipality, the expenditures relating to a specific service, and the sources of the related revenues. This and other refinements will be possible after the improvements in the reporting structure outlined in this Bulletin have been put into practice.

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\*In the municipality's financial statements only—the other bodies do not have sinking funds.



BULLETIN

# 2

## THE FUNCTIONAL CLASSIFICATION OF EXPENDITURE

*a guide for  
municipal treasurers and auditors  
in preparing  
the annual financial report*

Municipal Accounting Branch  
ONTARIO DEPARTMENT OF MUNICIPAL AFFAIRS





# I The reason for the classification

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## A. INTRODUCTION

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An effective and uniform classification makes it possible to compare the financial statements of one municipality with others of similar size. It also provides a consistent basis for reporting expenditure, no matter how diverse the organizational structures of different municipalities.

Municipal expenditure may be classified in different ways. For example, classification by organization will report expenditure according to the department or committee responsible for controlling it. Or classification by object will group expenditure according to the type of commodity or service purchased. Classification by function organizes expenditure according to the services, or *functions*, performed by the municipality. It is this last method of classification that has been adopted for financial reporting by Ontario municipalities.

Committees of municipal officials, professional accountants and economists at the provincial, federal and international levels have advocated the functional classification as best serving the needs of the municipality itself, as well as the needs of other users of municipal financial statements. For the municipality, it is recommended as the basis of highly effective management reporting which also permits comparisons with others. For members of the general public, and those with a particular interest in the financial position of municipalities, such as investors, researchers and provincial and federal officials, it has been found to provide information in a meaningful and consistent form.

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## B. THE FUNCTIONAL CLASSIFICATION IN ONTARIO MUNICIPALITIES

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### 1. THE BASIC ORGANIZATION OF THE CLASSIFICATION

The functional classification adopted for use in financial reporting by Ontario municipalities is shown on pp.203-208 of this bulletin, with an illustrative listing of the services and expenditure included within each classification. The classification shows the major services provided by municipalities, such as *Public works, Sanitation and waste removal, and Recreation and community services*. In addition, each of the major classifications is analysed in greater detail. For example, the functional classification *Social and family services* is further analysed into the sub-functional classifications *General assistance, Assistance to aged persons, Assistance to children and Day nurseries*.

Occasionally, a municipality will provide a service that bears no relation to those listed in the functional classification, or it may incur significant expense on an item normally too minor to be reported by itself. Such functions will be reported separately in spaces provided on the statements.

### 2. THE CONTENTS OF EACH CLASSIFICATION

Within each function certain items of expenditure will be included. These items are to be classified by function in every case. These items of expenditure are:

- (a) EMPLOYEES' EARNINGS AND THE RELATED BENEFITS — employer contributions to pensions, sick leave pay, workmen's compensation, unemployment insurance and group life and medical insurance, etc.
- (b) SUPPLIES — office supplies, operating supplies, repair and maintenance supplies, small tools and minor equipment.
- (c) OTHER SERVICES AND CHARGES — professional services, transportation and communication charges, advertising, printing, insurance, public utility charges, rentals, repairs and maintenance, accident and damage claims.
- (d) CONTRIBUTIONS TO BOARDS, COMMISSIONS AND JOINT BOARDS — appropriations, requisitions, or levies, as applicable.
- (e) CHARGES FOR NET LONG TERM LIABILITIES — including those incurred under The Local Improvement Act and under section 380 of The Municipal Act. — principal, interest, Ontario Water Resources Commission Debt Retirement Fund and contributions to sinking funds.
- (f) CONTRIBUTIONS TO RESERVE FUNDS; PROVISIONS FOR RESERVES
- (g) CONTRIBUTIONS FROM THE REVENUE FUND FOR CAPITAL EXPENDITURE and for discounts on debentures issued.

### 3. CHANGES IN THE CLASSIFICATION

One of the basic concepts which has been incorporated in the functional classification is that contributions to boards, commissions, and joint boards; charges for net long term liabilities; contributions to reserve funds, provisions for reserves and allowances; and contributions from the revenue fund for capital expenditure are all classified by function. This incorporation makes the classification of expenditure complete and accurate.



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## C. TREATMENT OF SOME SPECIAL MATTERS

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### 1. CONTRIBUTIONS TO LOCAL BOARDS AND SPECIAL AREAS

All local boards and special areas must be separately accounted for. Amounts appropriated by the municipality for the purpose of a local board and amounts levied on behalf of a special area will be reported in the municipality's *Analysis of Expenditure* under the appropriate functional classification. Appropriations, levies or contributions which cannot be included in any of the functional classifications (such as requisitions of counties and police villages, or contributions to certain municipal enterprises) will be reported separately, and specifically identified.

### 2. "NETTING" OF REVENUE AND EXPENDITURE

It is general practice in municipal financial reporting to include revenue from all sources in "Total revenue", and to include all expenditures in "Total expenditure". However, in the interest of consistency, the following exceptions to the rule are made in the financial statements of Ontario municipalities and their local boards:

- (a) Amounts recovered from other municipalities (or from the local boards of other municipalities) for the cost of services or equipment provided to them (such as fire fighting services) will be deducted from the gross expenditure incurred by the municipality for that service.  
  
The financial statements of the municipality or local board providing the service, as well as the financial statements of the other municipality or its local board, will thus report the actual expenditure required to provide this service to the inhabitants of their respective municipalities.
- (b) On January 1, 1968, the province assumed responsibility for the administration of justice from municipalities. Payments from the province to reimburse the municipality for operating expenses and debt charges incurred for the administration of justice will be offset against the relevant expenditure.
- (c) Charges to recover the cost of work performed by a municipality, which is incidental to a municipal service, will be offset against the cost of the service. For example, sewer connection charges, construction of approaches to driveways, snowplowing of driveways.

Note, however, that this practice does not extend to the deduction of revenue from licenses, permits and service charges from the related expenditure.

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## D. APPLICATION OF THE FUNCTIONAL CLASSIFICATION

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In addition to its application to the *Analysis of Expenditure*, the functional classification described on pp. 203-208 also applies to the

*Statement of Source and Application of Capital Funds*

*Analysis of Charges for Net Long Term Liabilities*

*Analysis of Net Long Term Liabilities*

*Analysis of Capital Expenditure*

*Analysis of Contributions and Provisions from the Revenue Fund*

*Continuity of the Account for the Police Village.*

It should be recognized that the illustrative listing of items under each sub-function on pp. 203-208 is by no means exhaustive nor is it intended as a detailed chart of accounts. It is essentially a guide which, if used intelligently, should answer the question "In what classification is this item to be placed?"

## II The Functional Classification of Expenditure

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### GENERAL GOVERNMENT

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#### MEMBERS OF COUNCIL

Head of council (chairman, mayor, reeve, warden) ☐ board of  
control (controllers) ☐ council (aldermen, councillors).

#### GENERAL ADMINISTRATION

Officers and departments primarily involved in general administration  
and whose expenses cannot readily be allocated to any other functions  
(for example, clerk, treasurer, purchasing agent) ☐ administrative  
buildings ☐ elections.

#### UNCLASSIFIED

Courts of revision ☐ conventions and delegations ☐ public  
receptions ☐ other general government expenditure.

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### PROTECTION TO PERSONS AND PROPERTY

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#### FIRE

Fire fighting force (regular and volunteer) ☐ fire halls ☐  
alarm system ☐ equipment ☐ hydrant rental ☐  
auxiliary services ☐ rates levied on behalf of fire areas ☐ fire  
prevention and inspection ☐ other fire protection expenditure  
☐ administration.

#### POLICE

Police force ☐ offices ☐ lock-ups ☐ garages ☐  
equipment ☐ animals ☐ rates levied on behalf of police  
areas ☐ board of police commissioners ☐ other police  
protection expenditure ☐ administration.

#### PROTECTIVE INSPECTION

Building and structural inspection ☐ fence viewing ☐ other  
by-law enforcement (where not a public health function) ☐ other  
protective inspection ☐ administration.

#### STREET LIGHTING

Lighting streets, roadways, bridges, underpasses, etc. ☐ rates  
levied on behalf of street lighting areas ☐ other street lighting  
expenditure ☐ administration.

#### UNCLASSIFIED

Pest control ☐ weed control ☐ animal control  
emergency measures ☐ weigh scales ☐ flood control ☐  
requisition of a conservation authority ☐ other protection  
expenditure.



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## PUBLIC WORKS

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### SIDEWALKS

### ROADWAYS

Roadways, bridges, underpasses, tunnels, culverts, grade separations — including snow and ice removal, oiling and dust control, street signs and numbering (other than traffic signs) ☐ appropriation for suburban roads commission ☐ other roadway expenditure (but not roadway cleaning) ☐ administration.

### ROADWAY CLEANING

Roadway and sidewalk sweeping and flushing ☐ other roadway cleaning expenditure.

### TRAFFIC CONTROL

Parking control officers ☐ child crossing patrols ☐ structures (safety islands, etc.) ☐ traffic signs (other than street signs and numbering) ☐ painted lines ☐ guard rails ☐ signal lights ☐ railway crossing signals ☐ traffic studies ☐ other traffic control expenditure ☐ administration.

### DRAINAGE

Surface drains and ditches and storm sewers (where the storm sewer system is separate from the sanitary sewer system) ☐ surface drainage projects carried out under The Drainage Act ☐ other drainage expenditure ☐ administration.

### UNCLASSIFIED

Net cost, if any, of parking facilities ☐ projects carried out under The Tile Drainage Act ☐ docks and harbours ☐ \*landing strips and airports ☐ \*waterways ☐ \*other public works expenditure ☐ administration (if not allocated above).

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## SANITATION AND WASTE REMOVAL

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### SANITARY SEWER SYSTEM

Sanitary sewers — including storm sewers where there is a combined storm and sanitary sewer system ☐ rates levied on behalf of sewage areas ☐ public washrooms (other than those in parks or community centres) ☐ O.W.R.C. service agreements ☐ O.W.R.C. construction and operating agreements ☐ other sewer system expenditure ☐ administration.

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\*Where not operated as a municipal enterprise.

#### GARBAGE COLLECTION AND DISPOSAL

Collection and disposal of garbage and waste (including incinerators, dumps and sanitary land fills) ☐ rates levied on behalf of garbage areas ☐ other collection and disposal expenditure ☐ administration.

#### UNCLASSIFIED

Air pollution control ☐ other sanitary and waste removal expenditure ☐ administration (if not allocated above).

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#### CONSERVATION OF HEALTH

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##### PUBLIC HEALTH SERVICES

Requisition of a health unit ☐ maternal care ☐ child care ☐ school dental care ☐ communicable disease control (including immunization and vaccination) ☐ care of indigents (medical attention out of hospital, drugs) ☐ other public health expenditure ☐ administration.

##### PUBLIC HEALTH INSPECTIONS

Water ☐ food ☐ public eating places ☐ by-law enforcement ☐ other public health inspections ☐ administration.

##### HOSPITAL FEES AND PREMIUMS

Non-recoverable expenditure on maintaining patients in hospitals ☐ hospital insurance premiums for indigents.

##### GRANTS TO PUBLIC HOSPITALS

#### UNCLASSIFIED

Ambulance services ☐ disinfestation of premises ☐ grants to voluntary health organizations ☐ other health expenditure ☐ administration (if not allocated above).

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#### SOCIAL AND FAMILY SERVICES

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##### GENERAL ASSISTANCE

Aid to unemployed and unemployable persons (living allowances, care of dependents, transportation and rehabilitation) ☐ aid to incapacitated persons (homemaking and nursing) ☐ aid to indigents (emergency dental treatment and burial) ☐ other general assistance expenditure ☐ administration.

##### ASSISTANCE TO AGED PERSONS

Homes for the aged ☐ housing for elderly persons ☐ home care ☐ social and recreational activities ☐ other assistance to the aged ☐ administration.



#### ASSISTANCE TO CHILDREN

Rates levied on behalf of Children's Aid Societies ☐ grants to voluntary organizations ☐ other assistance to children.

#### DAY NURSERIES

#### UNCLASSIFIED

Requisitions of district welfare boards ☐ contributions to a public housing agency ☐ grants to voluntary organizations ☐ other social and family service expenditure ☐ administration (if not allocated above).

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### RECREATION AND COMMUNITY SERVICES

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#### PARKS AND RECREATION

Parks ☐ flower gardens and floral displays ☐ playgrounds and amusement parks ☐ golf courses ☐ tourist camps ☐ community centres and halls ☐ skating rinks ☐ swimming pools ☐ stadiums and arenas ☐ exhibitions and fairs ☐ public celebrations ☐ assistance to sports teams ☐ requisitions of boards of parks management ☐ grants to voluntary organizations ☐ other parks and recreation expenditure.

#### LIBRARIES

Requisitions of library boards ☐ other library expenditure ☐ administration.

#### OTHER CULTURAL FACILITIES

Zoos ☐ theatres ☐ auditoriums ☐ concert halls ☐ art galleries ☐ museums and archives ☐ historic sites ☐ requisitions of museum boards ☐ grants to voluntary organizations ☐ other cultural expenditure ☐ administration.

#### UNCLASSIFIED

Grants to cemeteries ☐ morgues ☐ other recreation and community service expenditure.

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### COMMUNITY PLANNING AND DEVELOPMENT

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#### PLANNING AND ZONING

The official plan ☐ the planning department ☐ the zoning by-law ☐ subdivision control ☐ requisitions of planning boards ☐ committees of adjustment ☐ other planning and zoning expenditure ☐ administration.

#### URBAN RENEWAL

Project surveys and studies ☐ acquisition and clearance of land ☐ installation of services ☐ other urban renewal expenditure ☐ administration.

#### INDUSTRIAL DEVELOPMENT

Acquisition and clearance of land ☐ installation of services ☐  
industrial commissions and committees ☐ grants to boards of  
trade and chambers of commerce ☐ other industrial and commer-  
cial development expenditure ☐ administration.

#### UNCLASSIFIED

Tourist information and promotion ☐ other community planning  
and development expenditure.

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#### FINANCIAL EXPENSES

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##### INTEREST ON TEMPORARY BORROWING

Interest on loans ☐ interest on overdrawn accounts.

##### DISCOUNT ON TAXES

Discount allowed on taxes paid before the due date.

##### PROVISION FOR ALLOWANCES

Doubtful accounts ☐ uncollectible taxes ☐ losses on sale of  
property acquired for taxes ☐ other allowances.

##### PROVISION FOR RESERVES

Provisions for reserves which are not capable of being classified  
under any of the other functions (for example, working funds).

#### UNCLASSIFIED

Taxes written-off (where no allowance has been set up) ☐ foreign  
exchange losses (net of gains) on repayment of debentures to U.S.  
lenders ☐ bank service charges ☐ provision for deferred  
revenue (excess of amount levied over amount requisitioned) ☐  
other financial expenses.

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#### OTHER

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Special charges transferred to a municipal enterprise, for example,  
local improvement charges for water mains ☐ contributions  
to municipal enterprises to meet deficits or general expenses (where  
not classified elsewhere) ☐ charges on liabilities issued to finance  
deficits, including refunding debentures ☐ requisitions of police  
villages ☐ advancement of agriculture ☐ reforestation.

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#### COUNTY — SHARE OF EXPENDITURE

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The amount of the county requisition, including the county portion  
of supplementary taxes.



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*EDUCATION — LOCAL CONTRIBUTIONS*

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Requisitions of public, separate and secondary school boards, including the school board's portion of such items as supplementary taxes and grants to mining municipalities.

UNIVERSITIES AND COLLEGES

Grants to universities and colleges.

RETARDED CHILDREN

Requisition of a retarded children's authority.

## NET LONG-TERM LIABILITIES

*a guide for  
municipal treasurers and auditors  
in preparing  
the annual financial report*

Municipal Accounting Branch  
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# I Introduction

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## A GENERAL

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In order to provide adequate services for their citizens, municipalities must make large capital expenditures. Since such expenditures vary considerably from year to year, it would be unreasonable to require taxpayers to pay for major outlays as they are incurred. So it is customary for municipalities to spread the cost of capital expenditure over a period of years by long term borrowing.

Major projects such as highways, sewers, recreation facilities, waterworks and schools have been demanded by a fast-growing population with a steadily rising standard of living. Consequently, each year many municipalities are required to raise substantial amounts of capital by issuing debentures. So the size of debt has greatly increased in the last two decades.

Another significant change is in the source of capital funds. Twenty years ago, the public bond market was the major source of capital for municipalities. Today, the provincial and federal governments have supplemented the public market by providing a substantial amount of capital to municipalities for certain programs of high priority; examples are education, urban redevelopment, treatment of sewage, fresh water supply and the drainage of land for agriculture.

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## B TYPES OF DEBT

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Municipal debt has become fairly complex. There are, generally speaking, four types of municipal debt:

1. that arising from the issue of municipal debentures to the public;
2. that arising from the issue of municipal debentures to senior governments and their agencies;
3. that arising from special agreements between a municipality and a government agency for example, the Ontario Water Resources Commission (O.W.R.C.);
4. that arising when one municipality is obliged to repay a portion of the debt incurred by another (commonly called "assumed" debt).

This fourth type of debt is found in municipalities — *where school area boundaries do not coincide with municipal boundaries*  
— *where there is a joint venture operated by two or more municipalities*  
— *where an annexation has taken place.*

In the case of "assumed" debt, the municipality assuming the debt (or a portion of it) is obliged to repay it together with its service charges. But the strict legal responsibility to the debenture holders remains with the municipality which issued the debt.

A municipality may enter into an agreement with a senior government in which it incurs no direct liability, but in which it contracts to pay for future services at a price which includes the construction and financing costs. An example of such a contractual obligation is an O.W.R.C. "service" agreement which, while not regarded as long term debt, does permit a municipality to spread the cost of a major project over many years.

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## C DEBT CHARGES

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The term *debt charges* occurs from time to time in this and other information bulletins, and it is well that this term be defined for the purpose of Ontario municipal financial reporting. The annual charges required to service the long term debt of a municipality include payments *both to retire the principal and to pay the interest.*

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## D SECURITY OF MUNICIPAL DEBT

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The responsibility for municipal debt rests with the municipality issuing it. Municipal debt is secured by the ability of the municipality to tax the real property and businesses of its ratepayers and by its right, in the case of persistent default of tax payments, to confiscate and sell for the value of unpaid taxes the assessed real property and business chattels. The annual debt charges of a municipality are a first charge against the taxes levied in any year.

In the case of utilities operated by a municipality, the debt is secured by the fixed assets of the utility. But since any deficits incurred by a municipal utility must be met from general taxes, the fixed asset security is subordinate to that provided by the municipality's power to tax its ratepayers.

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## E SUMMARY

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Long term debt is one of the most significant aspects of the municipality's financial position. It has changed considerably in recent years in terms of its purpose, source and type. Consequently, the clear, accurate and consistent presentation of the long term debt is essential in municipal financial reporting.



# II The Reporting of Long Term Municipal Debt in Ontario

## A CLASSIFICATION BY FUNCTION

In order to achieve the goals of clarity, accuracy and consistency in reporting, long term debt and its related charges are classified according to the function (or purpose) for which the debt was incurred. This form of presentation has three additional advantages:

- it makes the reporting of debt charges consistent with the reporting of other types of expenditure which has followed the basic principle of classification by function;
- it reflects the impact of debt on the relative functions of a municipality;
- it makes comparable the financial data of similar size municipalities.

## B TERMINOLOGY USED

To comprehend the statements and schedules used in reporting municipal debt in Ontario, it is necessary to realize that certain terms are not used in a general way, but have a specific meaning. Three of these terms are similar and it is important to distinguish between them.

### 1. LONG TERM LIABILITIES

The term — “long term liabilities” includes the gross long term debt incurred by the municipality and its local boards.

### 2. NET LONG TERM LIABILITIES

The term — “net long term liabilities” is used to indicate the real or effective debt position of the municipality or a local board and to distinguish it from the gross debt position as described by the term “long term liabilities”. In other words, “long term liabilities” are adjusted to reflect the debt obligations assumed by or from other municipalities, governments, or agencies, after deducting actuarial requirements for sinking funds and funds held by O.W.R.C. for debt retirement. It is calculated as follows for general municipal activities, municipal enterprises and school boards:

	\$	\$
Long term liabilities outstanding, incurred by the municipality		xxx
Add —		
Long term liabilities incurred by other municipalities and assumed by the municipality		<u>xxx</u> xxx
Deduct —		
Long term liabilities incurred by the municipality and assumed by others	xxx	
Actuarial requirements in sinking funds	xxx	
Amount held in debt retirement funds of the O.W.R.C. for the long term liabilities of the municipality incurred under construction and operation agreements	<u>xxx</u>	<u>xxx</u>
Net long term liabilities		xxx

### 3. CHARGES FOR NET LONG TERM LIABILITIES

The term “charges for net long term liabilities” is used to designate the debt charges included in the *Statement of Revenue and Expenditure* for the municipality and each of its local boards. It is calculated as follows:

	\$	\$
Charges for long term liabilities incurred by the municipality	xxx	
Principal instalments on serial debentures	xxx	
Sinking fund contributions on term debentures	xxx	
Contributions to debt retirement funds of the O.W.R.C.	xxx	
Interest	<u>xxx</u>	xxx
Add —		
Charges for long term liabilities incurred by other municipalities and assumed by the municipality		
Principal	xxx	
Interest	<u>xxx</u>	<u>xxx</u> xxx
Deduct —		
Charges for long term liabilities incurred by the municipality and assumed by others		
Principal	xxx	
Interest	<u>xxx</u>	<u>xxx</u> xxx
Charges for net long term liabilities		

The "net" figure represents the effective debt burden on the municipality or a local board. The terminology distinguishes the figures from any other combination of debt figures.

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## C STATEMENTS AND SCHEDULES TO BE USED

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The following comments are somewhat general in nature; for more detailed explanations, you are advised to read the Instructions for each Statement or Schedule. It is important to note that these comments here refer to the presentation in the financial statements. While debt is reported *net*, and after deducting certain recoverable items, the books of account from which the statements are prepared will record the debt *gross*, as well as the recoverable items.

### 1. *Statement of Revenue and Expenditure*

This statement confines itself to reflecting only those revenues and expenditures which are concerned with general municipal activities, therefore it includes only those debt charges which are borne by the general tax levy. The charges for net long term liabilities are classified by function. Because the statement does not explicitly report the amount of charges, a note on *Notes to Financial Statements* will reveal the composition of the charges and will explain how they have been treated on this statement.

### 2. *Statement of Source and Application of Capital Funds*

This statement classifies by source all the capital funds received during the year; and classifies by function the application of those funds. Debt is recorded as a source of capital funds under the item "Long term liabilities at par" and when the proceeds of such debt are transferred to municipal enterprises and school boards, it is an application of capital funds and must be entered under the item "Proceeds of long term liabilities transferred".

Note that debt assumed by others is not an application of capital funds; and that debt assumed from others is not a source of capital funds.

### 3. *Capital Fund Balance Sheet*

This statement reflects the real or effective debt position of the municipality and its local boards. In other words, the "long term liabilities" (as defined above) are adjusted to reflect the debt obligations assumed by, or from, other

municipalities after deducting actuarial requirements held in sinking funds and funds held by the O.W.R.C. for debt retirement.

It might be argued that this method of presentation does not reflect the legal position between creditor and debtor in the repayment of debt assumed by, or from, another municipality. However, it is considered more significant to use the balance sheet to report the effective long term liabilities which are to be recovered out of future revenues of the municipality and its local boards. In order to meet the requirement for disclosing the basic legal relationship between the original creditor and the debtor, the *Notes to Financial Statements* disclose the gross long term liabilities and reconcile them with the net long term liabilities shown in the balance sheet.

It should be understood that the *Capital Fund Balance Sheet* reflects the *total* net long term liabilities. The liability side of the balance sheet identifies the total amount borne by general municipal activities, municipal enterprises and school boards. The amount of debt which is to be recovered from municipal enterprises and school boards is revealed on the asset side of the balance sheet under the item, "Future recoveries from levies or rates".

### 4. *Notes to Financial Statements*

As mentioned above, this document is to be used in reporting long term liabilities whenever it will help clarify or explain the information revealed in the *Statement of Revenue and Expenditure*, the *Statement of Source and Application of Capital Funds* or the *Capital Fund Balance Sheet*.

Suggested wording for these notes is to be found in Instructions for *Notes to Financial Statements*.

### 5. *Supporting Schedules on Long Term Liabilities:*

*Analysis of Charges for Net Long Term Liabilities*  
*Five Year Projection of Charges for Existing Net Long Term Liabilities*

*Analysis of Net Long Term Liabilities*  
*Analysis of Long Term Liabilities Assumed and Related Charges*

*Analysis by Lender of Direct Long Term Liabilities*

These schedules support the figures appearing in the *Capital Fund Balance Sheet* and the *Statement of Revenue and Expenditure*. The purpose of such support is that the overall debt position and the related charges should be available for detailed analysis. The *Analysis of Long Term Liabilities Assumed and Related Charges* supports the



*Analysis of Charges for Net Long Term Liabilities* and the *Analysis of Net Long Term Liabilities*. The *Five Year Projection of Charges for Existing Net Long Term Liabilities* includes all long term liabilities except those of school boards\* and retains the projection within the maximum meaningful period. The *Analysis by Lender of Direct Long Term Liabilities* reports the source of borrowed funds.

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## D TREATMENT OF SPECIAL ITEMS

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### 1. AGREEMENTS WITH THE ONTARIO WATER RESOURCES COMMISSION

As noted in the introduction, municipalities sometimes enter into agreements whereby the O.W.R.C. contracts to supply them with water or sewage services. There are five types of O.W.R.C. agreement into which a municipality may enter:

- a. service agreement for the reception, treatment and disposition of sewage
- b. service agreement for the supply of water
- c. agreement for construction and operation of a sewage treatment system
- d. agreement for construction and operation of a water supply system
- e. agreement for construction and operation of a sewage treatment system, involving Central Mortgage and Housing Corporation (C.M.H.C.) financing.

From the point of view of the nature of liability, three classes of agreement are involved: the straight service agreement, which involves a continuing contractual obligation to purchase the service, but which contains no specific debt; the construction and operation agreement, which contains a specific liability which must be retired; and the construction and operation agreement, which is complicated by the issue of debentures to a federal agency. Consequently, each type of agreement requires separate accounting treatment, and it is important to notice the differences. For reporting purposes, *all* sewage treatment is a general municipal activity; while water supply is a municipal enterprise and will be reported on a separate set of statements.

#### a. SERVICE AGREEMENT — SEWAGE

- i This type of agreement contains a contractual obligation which may govern the level of an expenditure item for a considerable time in the future.

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\*The projected charges on net long term liabilities issued for school boards are the subject of a note on *Notes to Financial Statements* which should be read in conjunction with the *Five Year Projection of Charges for Existing Net Long Term Liabilities*.

- ii It is necessary to disclose full particulars of the agreement by means of a note to the financial statements which reports the contractual obligation to pay the O.W.R.C. on a gallonage rate for sewage services, the term of the contract with the O.W.R.C., the minimum annual payment, and the amount paid in the year (and included in the *Analysis of Expenditure* of the municipality under "Sanitation and waste removal — Sanitary sewer systems").

#### b. SERVICE AGREEMENT — WATER

- i This type of agreement contains a contractual obligation which may govern the level of an expenditure item for a considerable time in the future.
- ii It is necessary to disclose the full particulars of the agreement by means of a note to the financial statements which reports the contractual obligation to pay the O.W.R.C. on a gallonage rate for water supplied, the term of the contract with the O.W.R.C., the minimum annual payment, and the amount paid in the year (and included in the *Statement of Revenue and Expenditure* of the water supply system under "O.W.R.C. charge for maintenance and operation").

#### c. CONSTRUCTION AND OPERATION AGREEMENT — SEWAGE

- i In the municipality's *Analysis of Expenditure*, the O.W.R.C. operating charges, the provision for the reserve fund for renewals, replacements and contingencies, the payments into the O.W.R.C. debt retirement fund and the interest paid will be included under "Sanitation and waste removal — Sanitary sewer system".
- ii In the *Statement of Source and Application of Capital Funds* the liability incurred in the year (as notified by the O.W.R.C.) will be included as a source of funds. The related cost of the project will be included as an application of funds under the functional classification of "Sanitation and waste removal".
- iii The entire amount of the O.W.R.C. debt retirement fund (as reported annually to the municipality as "Fund position at December 31st"), is deducted in arriving at the net long term liability, rather than just the actuarial requirement, because the whole fund is specifically applied by the O.W.R.C. to reduce the debt. Therefore, in the *Capital Fund Balance Sheet*, the debt owing to O.W.R.C. less the accumulated O.W.R.C. debt retirement fund will be included in "Net long term liabilities".
- iv The capital cost of a project under this agreement is recorded in the balance sheet even though title to the project remains with the O.W.R.C. until the debt is retired. The project is exclusively for the benefit of the municipal-

ity which is a party to the agreement and it will receive title by retiring the debt to the O.W.R.C. Therefore, in the *Capital Fund Balance Sheet* the capital cost of the project is included in "Fixed assets".

v This type of agreement provides for a reserve fund for renewals, replacements and contingencies. It may properly be considered to be a revenue reserve fund of the municipality because the reserve fund is used, under the control of the O.W.R.C., for the benefit of the municipality; any balance in the fund at the expiration of the agreement is returned to the municipality; and interest is allowed on the unused balance in the fund. Included in the *Reserve Funds — Statement of Continuity and Balance Sheet* will be the transactions of the reserve fund for renewals, replacements and contingencies during the year and the balance in the reserve fund at the end of the year (as reported annually to the municipality as "Fund position at December 31st").

#### d. CONSTRUCTION AND OPERATION AGREEMENT — WATER

i In the *Statement of Revenue and Expenditure* of the water supply system the O.W.R.C. operating charges, the provision for the reserve fund for renewals, replacements and contingencies, the payments into the O.W.R.C. debt retirement fund and the interest paid will be included under "O.W.R.C. charge for maintenance and operation".

ii The liability incurred in the year as notified by the O.W.R.C. will be included as a source of funds in the municipality's *Statement of Source and Application of Capital Funds*. The related cost of the project will be included as an application of funds under "Proceeds of long term liabilities transferred to — Municipal enterprises".

iii The entire amount of the O.W.R.C. debt retirement fund is deducted in arriving at the net long term liability, rather than just the actuarial requirement, because the fund is specifically applied by the O.W.R.C. to reduce the debt.

iv In the municipality's *Capital Fund Balance Sheet* the debt owing to the O.W.R.C. less the accumulated O.W.R.C. debt retirement fund will be included in "Net long term liabilities — Municipal enterprises".

v In the *Capital Fund Balance Sheet* of the water supply system a liability to the municipality will be included in the amount of the net long term liability outstanding.

vi Under this agreement the capital cost of the project is recorded in the balance sheet even though title to the project remains with the O.W.R.C. until the debt is retired, because the project is exclusively for the benefit

of the municipality which is a party to the agreement and because it may receive title by retiring the debt to the O.W.R.C. Therefore, in the *Capital Fund Balance Sheet* of the water supply system the capital cost of the project will be included in "Fixed assets".

vii Under this agreement, the reserve fund for renewals, replacements and contingencies may properly be considered to be a revenue reserve fund of the water supply system because the reserve fund is used, under the control of the O.W.R.C., for the benefit of the water supply system; any balance in the fund at the expiration of the agreement is returned to the water supply system; and interest is allowed on the unused balance in the fund. Included in the *Reserve Funds — Statement of Continuity and Balance Sheet* will be the transactions of the reserve fund for renewals, replacements and contingencies during the year and the balance in the reserve fund at the end of the year (as reported annually to the municipality as "Fund position at December 31st").

#### e. CONSTRUCTION AND OPERATION AGREEMENTS INCLUDING C.M.H.C. — SEWAGE

i In the *Analysis of Expenditure* of the municipality, the payment to the O.W.R.C. and C.M.H.C. will be included under "Sanitation and waste removal — Sanitary sewer system". The O.W.R.C. payment will cover the operating charges, the provision for the reserve funds for renewals, replacements and contingencies, the payment into the O.W.R.C. debt retirement fund and interest. The payments to C.M.H.C. will include principal and interest charges on the debenture debt issued to C.M.H.C.

ii In the *Statement of Source and Application of Capital Funds*, debentures issued to C.M.H.C. will be reported under "Source of funds — Long term liabilities, at par — Issued to governments and agencies thereof — Canada — Central Mortgage and Housing Corporation", in the year of issue. The portion of the debt forgiven by C.M.H.C. will be reported as a source of funds under "Contributions from other governments — Canada". The incurring of the liability to the O.W.R.C. will be reported as a source of funds. The cost of the project will be included as an application of funds under the functional classification of "Sanitation and waste removal".

iii The entire amount of the O.W.R.C. debt retirement fund (as reported annually to the municipality as "Fund position at December 31st" and identified as "Debt retirement") is deducted in arriving at the net long term liability, rather than just the actuarial requirement, because the fund is specifically applied by the O.W.R.C. to reduce the debt.



iv In the *Capital Fund Balance Sheet* of the municipality, the debt owing to O.W.R.C. less the accumulated O.W.R.C. retirement fund will be included in "Net long term liabilities".

v The capital cost of the project under this type of agreement is recorded in the balance sheet even though title to a portion of the project remains with the O.W.R.C. until the debt is retired. The project is exclusively for the benefit of the municipality which is a party to the agreement and it will receive title when it retires the debt to the O.W.R.C. Therefore, in the *Capital Fund Balance Sheet*, include the capital cost of the project in "Fixed assets".

vi This agreement provides for a reserve fund for renewals, replacements and contingencies. It may properly be considered to be a revenue reserve fund of a municipality because the reserve fund is used under the control of the O.W.R.C., for the benefit of the municipality; a balance in the fund at the expiration of the agreement is returned to the municipality; and interest is allowed on the unused balance in the fund. In the *Reserve Funds — Statement of Continuity and Balance Sheet*, include the transactions of the reserve fund for renewals, replacements and contingencies during the year and the balance of the reserve fund at the end of the year (as reported annually to the municipality as "Fund position at December 31st").

## 2. COMMITMENTS AND OBLIGATIONS INCURRED UNDER THE DRAINAGE ACT, 1962/63 AND THE TILE DRAINAGE ACT, 1960

### a. THE DRAINAGE ACT

Projects under this Act are generally undertaken by a municipality on its own initiative or after a petition by landowners. Drainage works are rated and financed under The Act:

— by special assessments against the agricultural land involved, after deducting subsidies paid under this Act and under the federal Agricultural Rehabilitation and Development Act;

— by special assessments against non-agricultural land that will be drained;

— in the case of municipally-owned land, by a general levy on all ratepayers after deducting subsidies paid under The Highway Improvement Act; and

— by payments in lieu of taxes on provincially or federally owned land which will be drained.

i On the *Capital Fund Balance Sheet*, the gross costs relative to municipally-owned property will be included in "Fixed assets". Applicable subsidies under The Highway Improvement Act will be included in the item

"Equity in fixed assets". Special assessments to be recovered in future from landowners will be classified under the item "Future recoveries from levies or rates — Other" and will be equal in value to the debenture debt outstanding.

ii On the *Capital Fund Balance Sheet* the debt will be included under "Net long term liabilities — General municipal activities". In the supporting schedule *Analysis of Net Long Term Liabilities*, it will be included in "Public works — Drainage".

iii On the *Analysis of Revenue*, the annual levies will be included in "Taxation — Special charges", as supported by the schedule *Analysis of Taxation* reported under "Special charges — Municipal drainage charges".

iv On the *Analysis of Expenditure*, debt charges will be included under "Public works — Drainage", as supported by the schedule *Analysis of Charges for Net Long Term Liabilities*, where they will be shown also under the item "Public works — Drainage".

v On the *Statement of Source and Application of Capital Funds* the amount of any debentures sold by the municipality during the year to finance the cost of drainage works will be reported as a source of funds under the item "Long term liabilities at par", classified by appropriate lender.

vi The total amount of subsidies received under The Drainage Act and the federal Agricultural Rehabilitation and Development Act, will be entered separately and specified under the item, "Contributions from governments — Ontario".

vii The amount of cash payments received in the year under section 40(3) and 40(4) of The Drainage Act will be reported in the item "Prepayment of special charges under — The Drainage Act".

viii The total amount of the assessments of \$25 or less under section 40(4) of The Drainage Act will be included in "Contributions from the revenue fund for — Capital expenditure".

ix The total cost of drainage works will be reported as an application of funds under "Fixed assets — Public works".

x The *Notes to Financial Statements* will disclose the amount of debt included in "Net long term liabilities — General municipal activities" which is to be specially assessed against certain landowners for benefits provided under The Drainage Act. Suggested wording will be found in Instructions for *Notes to Financial Statements*.

### b. THE TILE DRAINAGE ACT

i This Act allows a municipality to issue serial debentures

tures to the Treasurer of Ontario, for the purpose of lending the proceeds to landowners to finance tile, stone or timber drainage projects. The municipality pays the annual debt charges on these debentures, which it then recovers from the landowners concerned by means of a special levy.

ii On the *Capital Fund Balance Sheet*, costs recoverable from landowners will be shown under "Future recoveries from levies or rates — Other". The debenture debt will be included in "Net long term liabilities — General municipal activities". In the supporting schedule *Analysis of Net Long Term Liabilities*, the debt will be included under the item "Public works — Unclassified".

iii On the *Analysis of Revenue*, the annual levies on landowners will be shown under "Taxation — Special charges", as supported by the schedule *Analysis of Taxation* under "Special charges — Municipal drainage charges".

iv On the *Analysis of Expenditure*, debt charges will be included under "Public works — Unclassified", as supported by the schedule *Analysis of Charges for Net Long Term Liabilities*, where they will be reported under the item "Public works — Unclassified".

v On the *Statement of Source and Application of Capital Funds*, the par value of debentures sold to the Province during the year to finance tile drainage loans to owners will be reported under the item "Source of funds — Long term liabilities, at par — Tile Drainage Program". The loans made to owners will be reported as applications of funds under "Proceeds of long term liabilities transferred to — Others — Landowners — Tile drainage loans".

vi The *Notes to Financial Statements* will disclose the amount of debt included in "Net long term liabilities — General municipal activities" which is to be assessed against certain landowners for loans under The Tile Drainage Act. Suggested wording will be found in *Instructions for Notes to Financial Statements*.

### 3. NET LONG TERM LIABILITIES AND RELATED CHARGES INCURRED UNDER THE LOCAL IMPROVEMENT ACT AND SECTION 380 OF THE MUNICIPAL ACT

Under these acts, certain ratepayers who benefit from work performed by the municipality may be taxed to pay for a portion or all of the cost of such work. These transactions will be reported in the financial statements of the municipality except in the case of work by the water supply system (for example, water mains).

#### a. THE MUNICIPALITY

i As the title to the work remains with the municipality, the total cost will be shown on the *Capital Fund Balance Sheet* under "Fixed assets", and the amount of debentures issued will appear under "Net long term liabilities — General municipal activities". The excess of the cost of projects included in "Fixed assets" over the amount of the debentures outstanding will be "Equity in fixed assets".

ii On the *Statement of Source and Application of Capital Funds*, the total cost of the work will be shown as an application of funds under the appropriate functional classification of "Capital Expenditure".

iii Commutations paid by ratepayers prior to the issue of debentures, will be shown as a source of funds under "Prepayment of special charges under — The Local Improvement Act", or — "The Municipal Act".

iv The amount of debentures issued will appear as a source of funds under "Long term liabilities at par". Where there is a contribution from the revenue fund towards the cost of the work, this will also be shown as a "Source of funds — Contributions from the revenue fund for — Capital expenditure".

v On the *Analysis of Expenditure*, debt charges, together with any contribution from the revenue fund towards the capital cost, will be classified under the appropriate functional heading.

vi On the *Analysis of Revenue*, recoveries from taxpayers for their portion of the works will be reflected as "Taxation — Special charges", when they are recovered as a special charge on the property. Where commutations are received after the issue of debentures, the proceeds of the commutations will be reported on *Continuity of Deferred Revenue*.

vii The *Notes to Financial Statements* will disclose the amount of debt included in "Net long term liabilities — General municipal activities" which is to be assessed against ratepayers who benefit from work performed by the municipality under The Local Improvement Act and section 380 of The Municipal Act. Suggested wording will be found in *Instructions for Notes to Financial Statements*.

#### b. THE WATER SUPPLY SYSTEM

i Where the title to the work is with the water supply system (for example, water mains), the total cost will be shown on the balance sheet of that enterprise under "Utility plant". The outstanding liability will be shown as "Due to capital and loan fund"; the excess of total cost over debt outstanding will be shown under "Surplus — Capital".

ii On the *Capital Fund Balance Sheet* of the municipality, the amount recoverable will be shown under "Future recoveries from levies or rates — Municipal enterprises". The outstanding liability will be shown under "Net long term liabilities — Municipal enterprises".

iii On the *Statement of Source and Application of Capital Funds* of the municipality, the amount of debentures issued will be shown as a source of funds under "Long term liabilities at par and as an application of funds under "Proceeds of long term liabilities transferred to a municipal enterprise".

iv Debt charges, together with any contributions for capital expenditure, will appear as expenditure on the *Statement of Revenue and Expenditure* of the water supply system, and amounts provided by the municipality from the tax levy will be shown as revenue.

v In the *Analysis of Expenditure* of the municipality, the special charges transferred to the water supply system will be shown under "Other", together with any other contribution by the municipality to the water supply system.

#### 4. JOINT BOARDS AND JOINT PROJECTS

i When contributions are made to a joint board, they will be reflected as an expenditure in the contributing municipality's *Statement of Revenue and Expenditure*. The *Statement of Revenue and Expenditure* of the joint board will reflect the contribution as a revenue item.

ii In a case where debt has been incurred by two or more municipalities undertaking a joint project and one of the municipalities actually issues the debt in its own name and the other municipalities each assume a part of the debt transactions, the charges required to service the debt will be reported as discussed under *Capital Fund Balance Sheet* on page 304.

#### 5. DEBT FORGIVENESS

Under certain agreements between a municipality and the Central Mortgage and Housing Corporation, debt can be forgiven by that federal agency and the municipality is required to repay only a portion of the original debt. That portion of the debt which must be repaid will be shown on the *Capital Fund Balance Sheet* and included in "Net long term liabilities". The gross cost of the project being financed by C.M.H.C. will be shown as an application of funds on the *Statement of Source and Application of Capital Funds*. The amount of C.M.H.C. financing which is to be repaid will be shown on this statement under the item "Source of funds — Long term

liabilities, at par — Issued to governments and agencies thereof — Canada — Central Mortgage and Housing Corporation". The amount of the debt forgiven will appear under "Source of funds — Contributions from other governments — Canada".

#### 6. LONG TERM LIABILITIES DOMICILED OUTSIDE CANADA

The most common source of non-Canadian capital is the United States of America. The amount of debt payable in U.S. dollars and the basis for its conversion into Canadian currency are to be reported on *Notes to Financial Statements*. Suggested wording for such a note is included in *Instructions for Notes to Financial Statements*.

#### 7. DEBT ISSUED FOR NON-RECURRING EXPENSES

A municipality sometimes issues debt for certain expenses that will not normally occur again. The most common examples of these expenses are grants to hospitals or other institutions, and the meeting of a deficit incurred in previous years.

##### a. GRANTS TO HOSPITALS, UNIVERSITIES OR TRANSPORTATION SYSTEMS

This type of grant is often substantial; it may be paid in one lump sum or over a number of years. If it is paid within one year, the municipality will probably issue debentures to spread the cost to the taxpayers over an extended period of time.

i. The annual debt charges on such debentures are met from the general tax levy. Therefore, the debt outstanding will be included in "Net long term liabilities — General municipal activities" on the *Capital Fund Balance Sheet*. The municipality does not acquire title to the asset purchased, so the corresponding entry on the asset side of the *Capital Fund Balance Sheet* will be at "Non-recurring expenses to be levied in future years".

ii The amount of the grant will be included as an application of funds as "Proceeds of long term liabilities transferred to — Municipal enterprises" or "Proceeds of long term liabilities transferred to — Other", on the *Statement of Source and Application of Capital Funds*.

iii The annual debt charges will be reported under the appropriate function on the *Analysis of Expenditure*; the debt outstanding will be reported under the appropriate function at "General municipal activities" on the *Analysis of Net Long Term Liabilities*.



b. *DEFICITS INCURRED IN PREVIOUS YEARS*

It is sometimes desirable to issue debentures to capitalize a deficit.

- i The amount of debentures outstanding will be recorded on the *Capital Fund Balance Sheet* as "Net long term liabilities — General municipal activities", and the corresponding entry on the asset side will be reported as "Non-recurring expenses to be levied in future years".
- ii The amount of the capitalized deficit will be reported in the *Statement of Source and Application of Capital Funds* as an application of funds under the item—"Other".
- iii The annual debt charges will be specified under "Other" in the *Analysis of Expenditure* and the debt outstanding will be recorded under "Other" in the *Analysis of Net Long Term Liabilities*.



BULLETIN

# 4

## RESERVES, ALLOWANCES, RESERVE FUNDS AND OTHER SPECIAL FUNDS

*a guide for  
municipal treasurers and auditors  
in preparing  
the annual financial report*

Municipal Accounting Branch  
ONTARIO DEPARTMENT OF MUNICIPAL AFFAIRS





# I Introduction

In order to finance the operations of a municipality, money must be made available to meet obligations when they fall due. Ensuring that the money is available when needed is an important function of the treasurer which requires the use of a variety of financial management techniques, particularly those discussed in this bulletin.

## RESERVES

The financing of the day-to-day operations of a municipality, (such as meeting the payroll and paying accounts when they are due) can present a problem because payment must often be made prior to the receipt of taxes, subsidies or other revenue of the municipality. Such expenditures may be financed by temporary borrowing with, of course, the incurrence of the attendant interest costs. They may not be financed by accumulating surpluses. The establishment of a reserve for working funds reduces the need for temporary borrowing to finance day-to-day operations. Careful management of this reserve will reduce the cost of temporary borrowing, and will also earn interest through the short term investment of cash which is not immediately required.

Reserves may also be used to finance the cost of replacing equipment. Where major equipment must be replaced at intervals of two or three years, a reserve may be established by making an annual provision in the estimates towards the cost of replacement. Such a reserve will eliminate the need to levy for the full cost of the equipment in the year of replacement, and will avoid the resulting fluctuation in that year's mill rate.

## ALLOWANCES

Allowances serve an important purpose which is different from the purpose of reserves. Allowances provide for anticipated losses on assets. Where a municipality anticipates that it will experience a loss on any of its current assets (for example, on business taxes which may prove to be uncollectable) an allowance should be established to provide for it.

## RESERVE FUNDS

Capital projects which are too large to be met from the current year's estimates may be financed by long term borrowing. However, excessive reliance on this type of financing will lead to burdensome debt charges that reduce the municipality's flexibility in financing its future operations. In addition, very desirable capital projects are frequently considered for which the municipal council

does not wish to resort to long term borrowing. To finance such projects, money may be appropriated in advance and set aside in a reserve fund for future capital expenditure. Annual contributions to such a reserve fund, together with interest earned by investing the money, will accumulate to provide a valuable alternative to the financing of capital expenditures through long term borrowing.

## OTHER SPECIAL FUNDS

In addition to reserves, allowances and reserve funds, there are other special funds which must be administered by the municipality. It is important to understand that these funds (such as trust funds and funds which provide resources to meet existing liabilities when they mature in the future — pension funds and sinking funds) are different from the reserve funds or the reserves of the municipality.

Examples of reserves, allowances, reserve funds and other special funds are found on page 404.

# II Description and Reporting Treatment

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## A RESERVES

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### DESCRIPTION

The distinguishing characteristic of a "reserve" is that it forms part of equity and as such, is reflected in the *Revenue Fund Balance Sheet* immediately preceding the item "surplus", (see footnote\*).

It is important to note that estimated liabilities and deferred revenues (such as pre-levies and commutations on local improvement charges) are not reserves. A reserve has no reference to existing liabilities or deferred items of revenue — it is established for a specific purpose and the timing of its use is at the discretion of council, subject to any approvals necessary under the statutes.

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\*The recommendations contained in section 3260 of the Canadian Institute of Chartered Accountants Handbook concerning reserves do not deal with the special problems in the use of reserves by municipal governments and non-profit enterprises. The purpose of the statement of revenue and expenditure of a municipality is not to measure net profit, but to report the expenditures incurred during the year and the taxes, subsidies and other revenues raised to meet them. Accordingly, the provisions for reserves which are reflected in the municipal statement of revenue and expenditure have the same effect as appropriations from retained earnings in the financial statements of limited liability companies.

Section 297(2) of The Municipal Act allows a municipality to make provision in its annual estimates for reserves, provided the prior approval of the Department has been obtained. In accordance with this sub-section of the Act, the Department has given general approval for the establishment of certain specified reserves. The conditions upon which this general approval is given, and the rules for the use of the reserves, are set out on page 405. Other reserves may be established only upon the specific approval of the Department.

REPORTING TREATMENT

1. Provisions for reserves will be reported on the *Analysis of Contributions and Provisions from the Revenue Fund* and these details will be carried forward and included in the *Analysis of Expenditure*. Wherever possible, provisions for reserves will be reported under the appropriate functional classification. Where this is not possible (as in the case of a provision for the reserve for working funds) they will be included under "Financial expenses — Provision for reserves".
2. Transactions and balances of the reserves will be reported on the *Continuity of Allowance and Reserves*.
3. Expenditure incurred for a purpose for which a specific reserve has been established, will be charged directly to that reserve (This treatment only applies to those reserves set up for specific purposes, such as replacement of equipment. It does not apply to a general financing reserve, such as a reserve for working funds).
4. Where the expenditure charged to a reserve is of a capital nature, the following additional entries are necessary in order that it may be recorded on the statements which reflect capital transactions. The capital expenditure will be reported under the appropriate functional classification on the *Analysis of Capital Expenditure*. The total of this schedule is carried forward to the *Statement of Source and Application of Capital Funds*, where it appears as an application of funds under "Capital expenditure". The contribution from the reserve to meet this expenditure will be reported as a source of funds, under the caption "Contributions from reserves".
5. When the amount of a reserve is reduced (for example, when it is no longer required, or when the amount exceeds that which is considered necessary), the resulting transfer to the revenue fund will be shown on the *Analysis of Revenue* under "Other revenue" and, if significant, will be specified.

B ALLOWANCES

DESCRIPTION

The distinguishing characteristic of an allowance is that it is used to provide for an anticipated loss on an asset, and for reporting purposes, reduces the value of the asset to its estimated realizable value. Allowances are always reflected as a deduction from the related assets in the balance sheets. Allowances do not form a part of equity. Certain allowances are permitted under section 297(2) of The Municipal Act. This sub-section refers to an allowance for uncollectable taxes. Therefore, a municipality may provide for such an allowance in its annual estimates. Other allowances are permitted under the provisions of this sub-section upon the approval of the Department of Municipal Affairs, and the conditions under which these may be established and maintained are set out on page 405.

Under section 297 of The Municipal Act, where a municipality levies taxes on behalf of local boards, allowances may be established by, or for the purposes of, those local boards. Utilities operating under section 106 of The Power Commission Act and section 35 of The Public Utilities Act may establish allowances as part of their normal operating expenses.

An amount in excess of that required to reduce an asset to its current realizable value is not to be regarded as an allowance. It should be treated as a reserve, and approval for its establishment should be obtained from the Department.

REPORTING TREATMENT

1. Provisions for allowances will be reported on the *Analysis of Expenditure* under "Financial expenses — Provision for allowances".
2. Any loss sustained for which an allowance has been established will be charged directly to the allowance and will be reported on the *Continuity of Allowances and Reserves*.
3. When the level of an allowance is reduced (for example, when it is no longer required, or when the amount exceeds that which is considered necessary), the resulting transfer to the revenue fund will be shown on the *Analysis of Revenue* under "Other revenue" and if significant will be specified.
4. For statement purposes, the allowance will be deducted from the book value of the asset to which it relates, and the *Revenue Fund Balance Sheet* will report the net value of the asset.



C RESERVE FUNDS

DESCRIPTION

In the accounting sense, a “reserve fund” differs from a “reserve” in that the reserve fund assets are segregated to ensure that the resources to meet the purpose of the reserve fund are available when required. From a legal point of view, the significant differences are: (i) the assets of the funds must be segregated and their investment is restricted; and (ii) the provisions governing the establishment of reserve funds by a municipality are less restrictive than those for reserves, since section 298 of The Municipal Act permits the establishment and maintenance of reserve funds by municipalities and their local boards, for any purpose for which they are empowered to spend funds.

There are 3 basic types of reserve funds:

- (1) discretionary funds established under section 298 of The Municipal Act,
- (2) obligatory funds which municipalities are required to establish and maintain under certain circumstances (e.g. cash payments in lieu of lands dedicated under The Planning Act, and net parking revenues under The Municipal Act), and
- (3) outright legacies of cash and/or securities to a municipality. Such legacies may, at the discretion of council, be held in a reserve fund to be expended sometime in the future for the purpose expressed in the will of the donor. If no direction is given, the council may decide on the purpose.

Discretionary funds established under section 298 of The Municipal Act are created and maintained by appropriations from general revenues. Obligatory funds are established and maintained from sources such as those mentioned above. In all cases, income earned on the assets of the fund will be reported as income of the fund.

Provincial statutes require cash balances of reserve funds to be placed in separate bank accounts and investments to be segregated. Generally, they restrict the investments of the funds to those permitted under The Trustee Act. A modification of this requirement is allowed by section 298(2a) of The Municipal Act which provides for the assets of the discretionary funds to be held in a consolidated bank account, providing that accountability of the position of each fund is maintained.

REPORTING TREATMENT

- 1. Contributions from the revenue fund for reserve funds will be reported under the appropriate functional classification on the *Analysis of Contributions and Provisions from the Revenue Fund*, and these details will be carried forward and included in the *Analysis of Expenditure*.
- 2. The transactions and balances of reserve funds will be reported on the *Reserve Fund Statement of Continuity and Balance Sheet*.
- 3. When the expenditure is incurred it will be charged directly to the reserve fund rather than to the revenue fund, and reported on the *Reserve Fund Statement of Continuity*.
- 4. Where the expenditure charged to a reserve fund is of a capital nature, the following additional entries will be necessary to record it on the statements which reflect capital transactions.

The capital expenditure will be reported under the appropriate functional classification on the *Analysis of Capital Expenditure*. The total of this schedule will be carried forward to the *Statement of Source and Application of Capital Funds*, where it appears as an application of funds under “Capital expenditure”. The contribution from the reserve fund to meet this expenditure will be reported as a source of funds, under the caption “Contributions from reserve funds”.

D OTHER SPECIAL FUNDS

DESCRIPTION

Trust funds and funds established to pay existing liabilities in the future are included under this heading.

For reporting purposes, a trust fund may be defined as a fund, the assets of which are held in trust by, or on behalf of, a municipality or a local board. The capital of a trust fund is not available for the use of the municipality or local board, but must be administered in accordance with the specific trust indenture or statute, or with the more general provisions of The Trustee Act. Usually, the income of the fund is available to the municipality or local board for specified purposes.

### III Examples of Reserves, Allowances, Reserve Funds and Other Special Funds

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#### A RESERVES

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1. Working funds\*
2. Contingencies\*
3. Replacement of equipment\*

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#### B ALLOWANCES

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1. Uncollectable taxes\*
2. Doubtful accounts\*
3. Loss on property acquired for taxes\*

---

#### C RESERVE FUNDS

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1. Funds to provide for future capital expenditure, such as land acquisition, erection of buildings or other capital projects (The Municipal Act, section 298)
2. Funds maintained by the Ontario Water Resources Commission on behalf of a municipality for renewals, replacements and contingencies (see Bulletin 3, p. 306-307)
3. Contributions from subdividers for services provided by a municipality (The Municipal Act, section 299)
4. Payments by subdividers in lieu of land dedicated for parks or other public purposes (The Planning Act, section 28)
5. Net revenues received by a municipality from the operation of parking facilities (The Municipal Act, section 377(67))
6. Various other funds, such as vehicle and other self-insurance funds, industrial promotion, Ontario municipalities' funds (clergy reserves)

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#### D OTHER SPECIAL FUNDS

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1. Trust funds
  - (a) Endowment funds for the payment of scholarships
  - (b) Cemetery perpetual care funds
  - (c) Funds held by the administrator on behalf of residents of a home for the aged
  - (d) Deposits by subdividers to guarantee the installation of services

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\*These reserves and allowances have been given general approval by the Department.

Cemetery perpetual care funds arise because a portion of a cemetery's revenue from the sale of burial space must be set aside to provide perpetual care (The Cemeteries Act, section 24(1), and regulation 339/65). These funds are deposited with the municipal treasurer or with an independent trustee to be invested and held in perpetuity. The income from them is paid to the cemetery to be used for maintenance purposes only.

A fund established to pay existing liabilities in the future is normally established upon an actuarial basis so that contributions to the fund, plus earnings of the fund, equal the total liability to be discharged when it becomes due for payment. Examples of this type of fund are sinking funds and pension funds. For reporting purposes, when the liability of the municipality is thus funded, it becomes a liability of the fund rather than a liability of the municipality. The authority to establish this type of fund is specifically provided in the statutes.

The assets of trust funds, sinking funds, pension funds, etc. must be segregated and earmarked for the purpose for which the fund was established. They may be invested in accordance with the terms and conditions of The Trustee Act or other statutes.

#### REPORTING TREATMENT

For certain trust funds, such as endowment funds and cemetery perpetual care funds, there may be a legal requirement to report the fund balance segregated between capital and income. In these cases, or where such a segregation is considered useful, the analysis of the fund balance shown on the *Trust Fund Balance Sheet* should be used.

- (e) Cash or securities lodged with a municipality by a contractor to insure the performance of a contract
- 2. Pension funds where these are administered by a municipality or by agents acting on its behalf
- 3. Sinking funds

## IV Reserves and Allowances Approved under The Municipal Act

Section 297(2) of The Municipal Act requires the Department of Municipal Affairs to approve the establishment by municipalities of reserves and allowances which are not specifically authorized by any statute. General approval is given to the establishment of the reserves and allowances listed below, provided they are of the type and purpose indicated, and the limits stated herein are observed. Variations from these types, purposes and limits will continue to require specific Departmental approval.

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### A RESERVES

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1. *WORKING FUNDS* — this is a general reserve for the purpose of financing revenue fund operations pending the receipt of taxes, subsidies and other revenues. Such a reserve reduces the necessity for the municipality to borrow for current purposes (for example, to finance current expenditures, outstanding taxes, accounts receivable, property acquired for taxes, inventories, etc.) prior to the receipt of revenues, and reduces the related interest costs which would otherwise be incurred
2. *CONTINGENCIES* — to provide for legal obligations which may arise out of present circumstances provided certain developments occur, but not for already known liabilities (examples of such contingencies are damage claims and law suits pending or unsettled)
3. *REPLACEMENT OF EQUIPMENT* — to have an annual provision in the estimates for the cost of replacing major equipment (for example, snow removal equipment costing \$30,000 may be purchased from a reserve accumulated at the rate of \$10,000 per year over three years)

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### B ALLOWANCES

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1. *UNCOLLECTABLE TAXES* — to provide for the estimated loss on the collection of unpaid taxes
2. *DOUBTFUL ACCOUNTS* — to provide for the estimated loss on the collection of unpaid accounts
3. *LOSS ON PROPERTY ACQUIRED FOR TAXES* — to provide for the estimated loss on the sale of property which has been acquired for unpaid taxes. Where an allowance of less than 100% is considered adequate, then only this allowance should be provided

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### C LIMITATIONS ON RESERVES AND ALLOWANCES

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#### ANNUAL PROVISION

The amount of the *total* provision for all reserves and allowances to be made in any year, until the maximum limit is reached, shall not exceed 5 per cent of the sum of the current year's estimated taxation revenue, payments in lieu of taxes and mining revenue payments, or in the case of a county, metropolitan corporation or regional municipality, 5 per cent of its estimated levy for the current year.

#### ANNUAL REDUCTION

The amount by which the *total* of such reserves and allowances may be reduced in any year shall not exceed 10 per cent of the total amount of such reserves and allowances as at December 31st of the preceding year.

#### MAXIMUM LIMIT

The maximum limit for the *total* of all reserves and allowances (excluding those established by public utilities and other local boards) shall not at any time exceed 40 per cent of the sum of the current year's estimated taxation revenue, payments in lieu of taxes and mining revenue payments, or in the case of a county, metropolitan corporation or regional municipality, 40 per cent of its estimated levy for the current year.





BULLETIN

# 5

## CAPITAL

*a guide for  
municipal treasurers and auditors  
in preparing  
the annual financial report*

Municipal Accounting Branch  
ONTARIO DEPARTMENT OF MUNICIPAL AFFAIRS





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## I Introduction.

The capital transactions of a municipality are of significant interest to the ratepayers and to the users of local government statistics. They reflect

- the nature of services provided by a municipality; and
- the commitments which it must meet out of future revenues.

The extent of the future commitments, when measured against the tax base and revenues from other sources, is necessary information in the process of determining the municipality's credit resources in the money market and the costs which might be incurred to use those resources.

Historically, provision has been made for municipalities to report separately their capital transactions. However, difficulties have confronted municipal officials in defining capital transactions and consequently there have been serious inconsistencies in the reporting treatment as between municipalities.

Demands have become more pressing for adequate information concerning capital transactions by municipalities; the Provincial government has an urgent need for consistent information in substantial detail for the purposes of conducting regional and comparative economic analysis and planning, and municipalities themselves have a responsibility to control capital transactions since the impact on the tax burden is increasing.

It is the purpose of this Bulletin to remove the inconsistencies in the reporting and accounting treatment of capital transactions by providing standard definitions for "capital outlay", together with instructions, guide-lines, and explanations.

## II Reporting and Accounting Features.

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### A. DEFINITION OF CAPITAL OUTLAY

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The term "capital outlay" for local government financial reporting purposes comprises two elements namely,

- capital expenditure and
- transfers of capital funds to other organizations.

These two elements are further defined below:

*Capital expenditure* is "any significant expenditure incurred to acquire or improve land, buildings, engineering structures, machinery and equipment used in providing municipal services. This expenditure normally confers benefit lasting beyond one year and results in the acquisition of, or extends the life of, a fixed asset or long term work. It includes vehicles, office furniture and equipment. Expenditure on repair or maintenance designed to maintain an asset in its original state is not to be reported as capital expenditure".

*Transfers of capital funds to other organizations* refers to "the proceeds of long term liabilities transferred to local boards, municipal enterprises, hospitals, universities, and other similar organizations for which the municipality may incur long term liabilities".

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### B. CAPITAL EXPENDITURE — A CHANGE OF EMPHASIS FOR MUNICIPAL PURPOSES

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It should be understood that governments place far greater emphasis on capital expenditure than they do on fixed assets as such. Municipalities are vitally interested in capital expenditure because of its impact on present and future revenues. The disclosure of fixed assets and their relative values in financial statements of commercial undertakings is of some considerable importance whereas this information in the financial statements of municipalities has little value. A municipality's interest in fixed assets is important from the point of view of maintaining physical control and custody. References made later in this Bulletin to non-financial records for municipal fixed assets emphasize how effective control should take place outside the financial statements.



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#### C. ACCOUNTING CLASSIFICATION

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Due to the similarity of management information needs from one municipality to another, and the standard reporting requirements of the Department of Municipal Affairs, certain features of capital expenditure classification have evolved and are found in most municipalities.

The accounting classification for capital projects is ideally designed to collect expenditure data firstly by function, secondly by project within that function, and thirdly by nature of expenditure within the project (i.e. land, payments to contractors, professional fees, etc.). Capital financing is similarly classified by project, and additionally according to the source from which it was received (i.e. debenture proceeds, subsidies from other governments, contributions from the revenue fund, proceeds from the sale of land, etc.)

For external reporting purposes the functional classification is appropriate, whereas for internal management purposes, project analysis is generally more useful.

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#### D. FINANCIAL STATEMENT PRESENTATION

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The financial transactions of the capital fund are reported in the *Statement of Capital Fund Operations* and the *Consolidated Balance Sheet* together with their supporting schedules. These financial statements disclose the following:

- the net long term liability position of the municipality,
- the extent to which the net long term liabilities are a burden on future general municipal taxpayers or are to be recovered from municipal enterprises or from other sources,
- the liquid position of capital funds, and
- the details of capital outlay during the year.

Because the role of local government is not profit-oriented but rather is devoted to the provision of services, any kind of value attached to fixed assets and equity in fixed assets, whether it be cost, appraisal value etc., is irrelevant in the case of a municipality. The important fact relevant to capital transactions is the extent of the commitments which are to be recovered from future revenues. For this reason, capital outlay is reflected on the balance sheet at the amount of the long term liability incurred or to be incurred. From an accounting aspect, this entails the writing down of the capital outlay by the recoveries as they are made.

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#### A. LONG TERM CAPITAL BUDGETING

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Most municipalities have recognized the need for capital budgets because the impact of capital expenditures on the overall tax burdens is so significant. Since the total capital costs of services demanded of municipalities normally exceed the financial resources available from long term borrowing and current taxation, it becomes necessary therefore to ration the use of these resources and thus place priorities on capital expenditure. The capital budget is the instrument whereby this is done, and great care should be exercised in establishing the procedures for preparing the budget and presenting it to council.

Capital budgets should contain projections for a period of at least five years and should be subject to review and approval annually. The council is then able to approve the priorities for the immediately ensuing year and approve the prospective financing for that year in the light of updated information regarding assessments, expenses, revenues and current interest rates for long term borrowing.

It is difficult to over-emphasize the value to a municipality of long term capital budgeting — suffice it to say that no large business corporation would dare to neglect it and senior levels of government and their agencies use it extensively, in conjunction with other management techniques.

The following benefits will accrue to municipalities introducing long term capital budgeting procedures carefully designed and properly executed:

1. The official plan shows in physical terms how the municipality plans its future development: a long term capital program enables the municipality to plan its financial development with equal thoroughness.
2. Projects should not be considered in isolation. While it is essential for council to consider each project in depth before giving its final approval, planning can only be meaningful in the context of an overall long term program. With all proposed expenditures summarized by year, and accompanied by data on capital costs, operating costs and proposed methods of financing, decisions can be made regarding priorities and the acceptable level of capital expenditure over the period of the program.

3. The municipality's financial resources limit the rate of capital expenditure. A long term program enables projects to be carried out within these limits, and ensures an orderly phasing of capital outlay and financing.

4. Preliminary stages, such as land purchase, hiring and training of technical staff, contract and tender processes, necessary approvals etc., can be planned and executed more efficiently within the framework of a long term program.

5. The process of evaluating projects, gathering and presenting the information and deciding priorities, is a most valuable exercise as it forces everyone concerned to consider the cost, the benefits and the timing of the project.

6. The long term capital program can be used to satisfy the information needs of the OMB; to compile the current year capital budget and the current year revenue budget (for debt charges, operating costs, increased or reduced revenues etc.); to provide information for debenture prospectuses and forward plans for provincial government departments or others.

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## B. NON-FINANCIAL RECORDS FOR FIXED ASSETS

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Although municipal fixed assets are not reported in the annual financial statements, there is still a need for records showing the assets the municipality owns, so that adequate control can be maintained over them and insurance coverage obtained to provide for the risk of loss and liability judgments. The type of record will vary for the different classes of asset.

### 1. LAND AND BUILDINGS

Records should be maintained to control all land and buildings owned by the municipality, indicating details of location, description (if necessary, referring to maps), date and cost of acquisition, the purpose for which purchased or held, assessed and insurance values, and any other relevant information. This information can be kept on custom printed cards which are numbered and indexed.

Sources of information often used in compiling this record are title deeds, records of exempt assessment (municipally owned), annual or standing insurance listings, and the capital expenditure section of the general ledger.

### 2. VEHICLES AND EQUIPMENT

Records for vehicular and portable construction equipment may be more detailed than those for other equipment and non-portable machinery, but all should be in sufficient detail so the asset can be located and positively identified. Generally included are a description, engine or machine number, model number, date of purchase, cost and supplier, normal location, estimated life, insurance value, etc. Other details may relate to cost allocation rates, annual mileage, servicing costs and intervals, repair history and mechanical data. Records are commonly maintained by the organizational unit or department, with some central or treasury supervision over the controls in operation.

### 3. OTHER CAPITAL ASSETS

The need for detailed records here is less for security and control, and more for information purposes, as most other "assets" are in the nature of long term works. However, the costing records will usually be designed to produce details of recoverable capital outlay (e.g. local improvements, drainage works, industrial sites servicing costs, subsidizable highway improvements); comparative costs for alternative construction methods; performance statistics (such as cost per mile for construction of roads and sewers); and for other engineering purposes.

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## C. MANAGEMENT CONTROL OVER CAPITAL EXPENDITURE.

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### 1. PROCEDURE BY-LAWS

Municipalities should have by-laws and financial regulations concerning, among other things, tendering requirements for contracts or large purchases, performance bonds or deposits, specification requirements, and legal procedures for control over contracts or agreements.

Responsibility for capital projects and expenditures should be clearly defined, as should the powers of the officers concerned. Some variances from bid prices may be authorized by the departmental head, whilst other variations may require the prior approval of a committee or council.

### 2. MANAGEMENT REPORTING

If management is to be effective, it must have up-to-date information in time to act. Financial reports should be on a project basis and should highlight any anticipated variance from the approved expenditure. Other internal reports should cover changes in timing, standards etc. The use of sophisticated management techniques is necessary on large projects and consultants may be used when the necessary expertise does not exist within the municipality.

## IV Treatment of Special Items.

This section is concerned with establishing uniform accounting and reporting treatments for transactions which have caused uncertainty in the capital area. Where relevant, good commercial practices are used and only where the problem is peculiar to local government are the recommendations custom designed.

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### A. PROCEEDS FROM THE SALE OF DEBENTURES

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Debentures are only reported as net long term liabilities when they have been delivered and cash received for them. Prior to this they may represent contractual obligations which, if abnormally large, should be reported by way of a note to the financial statements (see page 506). The final reading of the debenture by-law and the date of the debenture itself do not represent the incurrence of a liability; this only arises when the municipality receives the cash proceeds.

If the proceeds of a debenture issue fall short of the amount required for the purpose of the issue, any deficit must be met by a contribution from the revenue fund (over a maximum of up to 5 years if OMB approval is obtained — The Municipal Act).

On the *Statement of Capital Fund Operations*, the net cash proceeds of the issue are reported under "Long term liabilities incurred" (i.e. the par value, less any discount). Any contribution from the revenue fund to make up a deficit (on debentures issued for general municipal purposes) is reported as "Contributions from the revenue fund for capital expenditure". When the debentures are issued on behalf of a local board, the net amount only is transferred to them (i.e. the par value, less any discount), and no further entries are required in the municipal *Statement of Capital Fund Operations*.

The *Consolidated Balance Sheet* reports the par value of the debentures under "Net long term liabilities", and the amount of the discount under "Capital outlay to be recovered in future years". When the proceeds of the debentures are spent, this will cause an increase in "Capital outlay to be recovered in future years". Any contribution from the revenue fund to meet a deficit (caused by issuing at a discount or for any other reason) will reduce "Capital outlay to be recovered in future years". As principal repayments are made on the debentures, both "Net long term liabilities" and "Capital outlay to be recovered in future years" are reduced accordingly.

The same underlying principles apply for debentures issued at a premium. The cash proceeds (i.e. the par value plus any premium) are shown as "Capital financing"; the par value of the debentures shown on the *Consolidated Balance Sheet* under "Net long term liabilities", and the amount of the premium credited against "Capital outlay to be recovered in future years".

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### B. LIABILITIES PAYABLE IN FOREIGN CURRENCIES

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When debentures are sold in a foreign currency, normally US dollars, they should be in an amount which, when converted to Canadian dollars, will meet the estimated capital needs of the municipality (The Municipal Act). There is no merit in over-borrowing and salting the US dollar premium away in a reserve fund: it is better to borrow only the sum required.

On the *Statement of Capital Fund Operations*, the sale proceeds are reported as "Capital Financing" (including the US dollar premium). The *Consolidated Balance Sheet* reports under "Net long term liabilities" the liability in Canadian funds (i.e. the par value of the debentures, plus the US dollar premium). It will remain at this value until maturity, no adjustment being made for year to year fluctuations in the exchange rate.

Where long term liabilities are payable in a foreign currency, the amount of the liability should be disclosed in *Notes to Financial Statements*. Where the carrying value differs from the liability translated at the rate in effect at the date of the balance sheet, the amount of any significant difference should also be disclosed.

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### C. PROCEEDS FROM THE SALE OF FIXED ASSETS

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When debentures are outstanding in respect of an asset which has been sold, then any proceeds from its sale must be used to repay those debentures, to meet the annual payments of principal and interest on those debentures, or at the discretion of council and with OMB approval, to meet new capital expenditure (The Municipal Act).



The recommended accounting and reporting treatment for such proceeds is:

1. Where they are to be applied against future annual payments of principal and interest, credit them to a Deferred Revenue account, and reduce this by the amount of the annual debt charges as they are incurred, or

2. Where they are to be used to meet new capital expenditure, report them on the *Statement of Capital Fund Operations* as "Capital financing — Other", and on the *Consolidated Balance Sheet* as "Unappropriated balances". As they are used to finance new capital expenditure, this amount of "Unappropriated balances" will be reduced accordingly until it has all been used.

Where there are no debentures outstanding in respect of the sold asset, and the sum involved is material, the procedure in (2) is recommended. If the municipality envisages no capital expenditure in the immediate future, it may decide to treat the sale proceeds as income of the revenue fund, either in one year, or over a period of years.

The use of proceeds from the sale of fixed assets to finance new capital expenditure is strongly recommended. It reduces the municipality's reliance on borrowing, permits savings on interest costs, and introduces flexibility into the capital financing procedure.

The recommendations outlined above are deemed to be more useful than the frequently encountered practice of crediting the sale proceeds to a reserve fund and segregating the assets.

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#### D. CAPITAL SUBSIDIES

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Capital subsidies are those paid in respect of capital expenditure, (defined on page 502), and are reported under "Capital financing — Contributions from other governments" on the *Statement of Capital Fund Operations*.

The accrual basis of accounting is used for subsidies in the same way as for the related capital expenditure. Subsidy accruals which turn out to be inaccurate are corrected by adjusting the capital subsidy figure reported in the following year's financial statements.

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#### E. CAPITAL LEVIES

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Municipalities often include a sum in their current budgets or earmark the product of a certain mill rate to finance some of the year's capital expenditure. This is an excellent means of equalizing the burden of capital expenditure and reducing reliance on borrowing.

It is important that the financial statements reflect the use made of the levy proceeds. The levy is included in "Taxation revenue" and the corresponding contribution from the revenue fund for capital expenditure should be classified by function. Where the levy is a general capital one, the capital budget should assist in functionalizing the contribution.

Levy proceeds transferred to the capital fund, and unspent at the end of the year are reflected on the *Statement of Capital Fund Operations* in the "Unexpended capital financing at the end of the year", and on the *Consolidated Balance Sheet* under "Unappropriated balances".

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#### F. CONTRACTUAL OBLIGATIONS

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Particulars of contractual obligations and commitments to make expenditures that are abnormally large in relation to the usual operations of the municipality should be disclosed in *Notes to Financial Statements*.

Significant examples of such commitments are major expressway construction, urban renewal and large capital grants to a hospital or university.

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#### G. OTHER CAPITAL OUTLAY

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Certain expenditures are reported in the capital fund of the municipality even though they do not fall within the definition of capital expenditure. Such items are transfers to municipal enterprises, loans for tile drainage, capitalized deficits and grants to hospitals, universities, etc. which have been financed by the issue of debentures. The reporting treatment is similar to that for capital expenditure: they are reported on the *Statement of Capital Fund Operations* as "Transfers to others" and to the extent that they are to be rated for or recovered in future years, on the *Consolidated Balance Sheet* under "Capital outlay to be recovered in future years".

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## H. INTEREST ON TEMPORARY BORROWING FOR CAPITAL PURPOSES

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Temporary loans are normally identifiable with specific capital projects, and the interest incurred on these loans can be treated as part of the cost of the project, particularly when the costs are recoverable from other bodies or third parties. Similarly, the costs of issuing debentures can also be treated as capital expenditure and allocated to the appropriate project. These costs are then reported on the *Statement of Capital Fund Operations* as "Capital expenditure".

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## I. PROVISION OF SERVICES TO SUBDIVISIONS

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Expenditure on the provision of municipal services to new subdivisions (e.g. trunk sewers), which is financed by contributions from a developer under a subdivision agreement, is reported on the *Statement of Capital Fund Operations* as "Capital expenditure". The related financing is shown as "Capital financing" (Contributions from reserve funds, or Other).

In new subdivisions, certain services are the prime responsibility of the developer (such as sanitary and storm sewers, roads, curbs, etc.) and the cost of providing these is *not* reported as municipal capital expenditure. Where this work is carried out by the municipality as agent for the developer and subsequently recharged to him, the recharge is netted against the related expenditure.

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## J. LEASE/PURCHASE CONTRACTS

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Municipalities sometimes enter into leasing contracts which provide for the acquisition of assets at the end of the lease period. Where there is a legally binding obligation on a municipality to acquire the asset, then the transaction should be treated as capital expenditure in the first year of the contract, financed by the incurrence of a long term liability.

Only where a contract is definitely for purchase is it reported as a liability. In other cases, such as when the municipality has an open option to buy the asset, exercisable at some stage of the lease, the obligation is reported and then only if material, as a note to the financial statements.

## CHANGES AND THE REASONS FOR THEM

### CONSOLIDATED BALANCE SHEET

A highly summarized statement which replaces the former *Revenue, Capital and Reserve Fund Balance Sheets*. It is supported by the *Analysis of Assets* (3-1) and the *Analysis of Liabilities* (3-2).

To provide a clearer and more concise balance sheet. It is particularly meaningful for reporting to the public. The detail for statistical analysis purposes is retained on the supporting schedules.

### STATEMENT OF CAPITAL FUND OPERATIONS

A more summarized format which replaces the *Statement of Source and Application of Capital Funds*. It is supported by three new schedules (2-2, 2-3 and 2-4), and one schedule retained from previous years (2-1).

To condense and clarify the statement for better reporting to the public.

### NOTES TO FINANCIAL STATEMENTS

A new Note 4, "Basis of Consolidation"

Note 5 (amended)

Note 6 (amended)

Note 7 (amended)

To disclose the basis of consolidation and exclusions.

To allow for the deduction of the total value of sinking funds rather than just the actuarial requirement.

To refer to the capital outlay to be recovered in future years rather than the net long term liabilities.

To reflect the generally accepted basis for converting liabilities payable in foreign currencies.

### PRIMARY INSTRUCTION

Reference is made to encumbrance accounting under "Basis of Accounting".

Inclusion of names and addresses of provincial subsidy-paying departments.

Encumbrance accounting contravenes generally accepted accounting principles for reporting to the public in financial statements.

To facilitate contact between municipal officials, auditors and provincial subsidy-paying departments.

### ANALYSIS OF REVENUE (1-1)

#### Subsidies

"Residential property tax reduction" includes subsidies in respect of reduced payments in lieu of taxes from the Crown.

To correct an omission in the 1969 Instructions.

### ANALYSIS OF TAXATION (1-2)

#### Special charges

New heading "University taxation".

To provide for new legislation (The Municipal Act, s.294b).



## ANALYSIS OF THE EDUCATION LEVY (1-7)

New heading "Payments in addition to the requisition—miscellaneous revenue".

To provide for the correct classification of such items as the school board's share of trailer licence fees and pupil fees from municipal trailer camps.

## BASIS OF APPORTIONMENT OF THE COUNTY LEVY (1-8 County)

Assessment equivalent of university taxation included for 1970.

To provide for new legislation (The Municipal Act, s.294b).

## ANALYSIS OF CAPITAL EXPENDITURE (2-1)

New heading "Used assets".

To obtain information on the extent to which municipalities purchase used assets.

Works under The Drainage Act—owner's portion included as "Capital expenditure" rather than as "Transfers to others".

To provide a better classification for economic analysis.

## ANALYSIS OF CAPITAL FINANCING (2-3)

Debenture proceeds reported net of any discount, rather than at par with discount shown as an expenditure item.

To more clearly report the capital financing received in the year.

## ANALYSIS OF DEFERRED REVENUE (3-5)

Detailed instructions cover the treatment of the school board's portion of payments in lieu from HEPC, OHC, etc.

To clarify misunderstandings revealed by the 1969 Financial Reports.

## ANALYSIS OF NET LONG TERM LIABILITIES (3-8)

Column 5 (amended)

To provide for the deduction of total value of sinking funds, rather than just the actuarial requirement.

## OTHER POINTS TO NOTE

The *Auditor's Opinion* and the *Audit Questionnaire* have been deleted for 1970 (refer to "A Guide for the Municipal Auditor in Ontario", pages 27-28).

Sinking fund stationery is not included in the sample 1970 Financial Report and those municipalities with active sinking funds should follow the format used in 1969.

Regional municipalities are not specifically referred to because a detailed instruction for municipalities in regional governments will be issued later this year.

It is suggested that, as a minimum, the *Statement of Revenue and Expenditure*, the *Statement of Capital Fund Operations*, the *Consolidated Balance Sheet*, and the *Auditor's Report* be published or distributed in accordance with the requirements of The Municipal Act. (s.223a), together with such *Notes* as are applicable.

### Instructions

There is an instruction for each statement and schedule in the 1970 Financial Report. These instructions explain precisely what caption and column headings mean, what they include and what they exclude and, where necessary, what calculations are necessary to arrive at a reported figure.

We would strongly suggest that you keep the relevant instructions at hand for ready reference as you complete the financial statement or the working papers.

This primary instruction is intended to provide guidance with introductory and general matters.

### Bulletins

Bulletins are mentioned frequently in the instructions. They are intended to be kept on file as an authoritative reference from year to year, but we would urge you to read them over before starting work on the 1970 financial report.

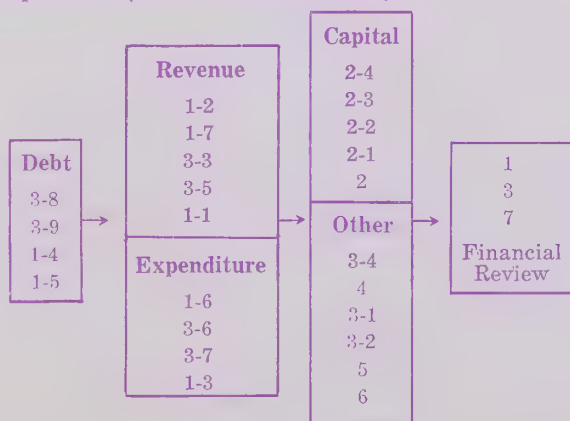
These bulletins are found in the Municipal Finance Manual, which is available from the Department at a cost of \$5 per copy.

### Recommended order of completion

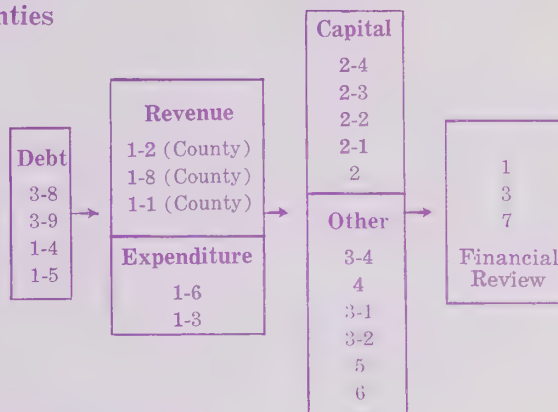
The chart below contains the Department's recommended order for completing the financial statements and their supporting schedules. In each box those statements or schedules at the top of the list are to be completed before those at the bottom. Similarly the statements and supporting schedules in the boxes at the left of the chart are to be completed before those on the right.

While this order is only a recommended one, it does represent what has been found to be the most efficient and straightforward method of completing the financial report. When used it will eliminate duplication of effort and ensure as far as possible that all cross-related schedules agree.

### Municipalities (other than counties)



### Counties



### Basis of accounting

In general, the accrual basis is used throughout municipal accounting and financial reporting. Expenditure is recorded in the period when the goods or services are received, regardless of the date when payment is made. Revenue, including contributions from other governments, is similarly accrued.

The main exception to this general rule is the treatment of debt charges. Only those charges which are payable in the year are reported, and no interest is accrued for the period from the last interest date to the end of the year.

As a method of financial control, encumbrance accounting is highly recommended for municipalities. It helps council conduct its operations within predetermined expenditure guidelines. However, for financial reporting to the public, it is not appropriate. Expenditure should be reported in the period in which the goods were received, or the services rendered. Encumbrances set up during the year should *not* be included in the reported expenditure figures if the delivery of goods or services has not been effected by the end of the year. This is the generally accepted accounting principle for year-end cut-off.

### Typing of the Financial Report

Although the Department provides pre-printed stationery for the financial report, there is no reason why a municipality or an auditor should not use their own stationery or photocopies of the Departmental forms if they so desire. It should be borne in mind that the format and wording should follow the Departmental stationery, and the information set out therein must be provided as a minimum. However, lines that have "nil" information against them need not be included.

The name and status of the municipality is to be typed in full on every page in the financial report. For example, City of Peterborough, Township of Bertie, etc.

The name and status of the municipality is also to be typed on the label, which should then be placed in the position marked in the lower right corner of the front cover.

## Elimination of cents

Throughout the financial statements and the supporting schedules, round off all amounts to the nearest dollar.

## Subsidies

Here is a list of the major grant paying departments and agencies in the provincial government and a summary of the programs they operate. If you have any questions about those programs — or wish to confirm payments made to your municipality during the year — you should contact the appropriate offices.

### Office to contact

Department of Agriculture and Food  
Director of Accounts  
Queens Park  
Toronto, Ontario

Department of Education  
Supervisor, Grants Section  
2nd floor  
44 Eglinton Avenue West  
Toronto, Ontario

Department of Energy and Resources  
Departmental Accountant  
880 Bay Street  
Toronto 5, Ontario

Department of Health  
Accounts Payable Officer  
8th floor  
Hepburn Block  
Parliament Buildings  
Toronto, Ontario

Department of Highways  
Chief Accountant  
Administrative Building  
Downsview, Ontario

Department of Justice  
Comptroller  
Emergency Measures Branch  
67 College Street  
Toronto 101, Ontario

Department of Lands & Forests  
Chief, Accounts Branch  
Room 252  
Whitney Block  
Parliament Buildings  
Toronto 182, Ontario

Liquor Control Board of Ontario  
Chief Accountant  
55 Lakeshore Blvd. East  
Toronto 220, Ontario

### Type of grant or payment

Capital projects — community centres  
Weed control  
Warble fly control

Schools operations  
Library operations  
Community recreation program  
Arena operations

Administration of conservation authorities  
Capital projects — conservation authorities  
Water and flood control  
Capital grants — parks

Venereal disease control  
Sanatoria operations  
Official local health agencies  
School dental programs

Construction and maintenance of roads,  
bridges and culverts  
Urban transportation plans  
Salaries of road superintendents  
Sidewalks

Emergency measures organizations

Construction and maintenance of access  
roads to provincial parks  
Prevention and control of forest fires  
on crown land  
Excess fire suppression costs in fire districts  
Wolf bounties

Payments in lieu of taxes  
Rebate on licences tax



Department of Municipal Affairs  
Chief Accountant  
801 Bay Street  
Toronto 5, Ontario

Ontario Housing Corporation  
Financial Analyst  
3rd floor  
188 University Avenue  
Toronto 1, Ontario

Ontario Hydro  
Assessment and Taxation Officer  
Property Division  
620 University Avenue  
Toronto 101, Ontario

Department of Social and Family Services  
Director of Accounts  
Finance and Administration Branch  
Room 3627  
Whitney Block  
Parliament Buildings  
Toronto 182, Ontario

Department of Tourism and Information  
Chief Accountant  
Administrative Branch  
185 Bloor St. East  
Toronto 5, Ontario

Residential property tax reduction grants  
Mining municipality payments  
Payments in lieu of taxes — crown properties  
Taxes on tenant occupied crown properties  
Unconditional per capita grants  
Indigent hospitalization  
Drainage  
Municipal and school tax assistance to  
elderly person  
Urban renewal and redevelopment

Capital grants for construction and  
equipping limited dividend homes for  
elderly

Payments in lieu of taxes

General welfare assistance  
Welfare administration  
Homemakers and nursing assistance  
Capital and operating costs — Homes  
for the aged  
Day nursery grants

Museums

## General

If our officers can be of service to you in any way,  
do not hesitate to contact one of them by letter or  
telephone at the following locations:

801 Bay Street, Toronto 5  
365-7031 (Area Code 416)

14 Holiday Inn Road, Box 654, Brantford  
759-2176 (Area Code 519)

560 Wellington Street, London  
433-5127 (Area Code 519)

1729 Bank Street, Ottawa  
731-0160 (Area Code 613)

55 George Street, Peterborough  
742-3456 (Area Code 705)

1349 Lasalle Blvd., Sudbury  
566-0901 (Area Code 705).

**This review highlights the development of the municipality over the past nine years.**

### Explanation of Captions

#### **1. POPULATION at the end of the year**

The "Total population" as reported in Schedule 5 of the *Return of Assessment, Population and Area* submitted by the municipality to the Department of Municipal Affairs prior to January 15 of the following year.

Counties are to report the aggregate "Total assessed population" of their supporting municipalities.

#### **2. AREA in acres at the end of the year**

The "Total" area as reported in Schedule 5 of the *Return of Assessment, Population and Area* submitted prior to January 15 of the following year.

Counties are to report the aggregate "Total" area of their supporting municipalities.

#### **3. EMPLOYEES — continuous full time**

The number of employees of the municipality, not including its local boards, at the end of the year.

#### **4. ASSESSMENT**

**Taxable assessment upon which the year's rates of taxation were set.**

The "Taxable assessments" for general municipal purposes as reported on *Analysis of Taxation* (1-2). Counties are to report the aggregate "Taxable assessments" of their supporting municipalities.

##### **Per Capita**

The result of  $\frac{\text{Taxable assessment (4)}}{\text{Population (1)}}$

**Commercial and industrial as a percentage of taxable assessment**

The result of  $\frac{\text{Commercial and industrial assessment (4)}}{\text{Taxable assessment (4)}} \times 100$

##### **Exempt assessment**

The "Real Property Assessment Exempt from Taxation" as reported in Schedule 3 of the *Return of Assessment, Population and Area*, submitted prior to January 15 of the current year.

Counties are to report the aggregate "Real property assessment exempt from taxation" of their supporting municipalities.

#### **Provincial equalization factor**

The factor provided during the year by the Department of Municipal Affairs.

Counties are not to report this information.

#### **5. RATES OF TAXATION**

The "Average total mill rates" for public school supporters as reported on *Analysis of Taxation* (1-2).

Counties are not to report this information.

#### **6. REVENUE**

The amounts as reported on the *Analysis of Revenue* (1-1).

#### **7. TAX ARREARS**

The "Balance at the end of the year" reported on *Continuity of Taxes Receivable* (3-3).

Counties are not to report this information.

##### **Per Capita**

The result of  $\frac{\text{Tax arrears}}{\text{Population (1)}}$

##### **Percentage of current levy**

The result of  $\frac{\text{Tax arrears}}{\text{Taxation revenue (6)}} \times 100$

#### **8. EXPENDITURE**

The amounts as reported on the *Statement of Revenue and Expenditure*.

The expenditures of counties are to be classified as, "General municipal" and "Education" only.

#### **9. NET LONG TERM LIABILITIES**

##### **General Municipal Activities**

The amounts as reported under "Net long term liabilities — General municipal activities" on the *Analysis of Liabilities* (3-2).

##### **Per Capita**

The result of  $\frac{\text{Net long term liabilities (9)}}{\text{Population (1)}}$

### Percentage of taxable assessment

The result of  $\frac{\text{Net long term liabilities (9)}}{\text{Taxable assessment (4)}} \times 100$

### Municipal enterprises

The amounts as reported under "Net long term liabilities — Municipal enterprises" on the *Analysis of Liabilities* (3-2).

## 10. CHARGES FOR NET LONG TERM LIABILITIES

### General municipal activities

"Total" charges for "General municipal activities" as reported in column 11, *Analysis of Charges for Net Long Term Liabilities* (1-4).

### Per Capita

The result of  $\frac{\text{Charges for net long term liabilities (10)}}{\text{Population (1)}}$

### As a mill rate

The result of  $\frac{\text{Charges for net long term liabilities (10)}}{\text{Taxable assessment (4)}} \times 1000$

Counties are not to report this information.

## 11. CONTRIBUTIONS FROM THE REVENUE FUND FOR CAPITAL EXPENDITURE

The amount reported on the *Statement of Capital Fund Operations*.

## 12. SURPLUS (DEFICIT) at the end of the year

The "Surplus (Deficit)" as reported on the *Statement of Revenue and Expenditure*.

## 13. RESERVES

The "Reserves" as reported on *Continuity of Allowances and Reserves* (3-4).

## 14. CAPITAL EXPENDITURE in the year

The amount reported as "Capital expenditure" on the *Statement of Capital Fund Operations*.



This statement reports, in summary form, the revenue of the municipality, classified by source and its expenditure, classified by function.

### Explanation of Captions

#### Revenue

The amounts reported on *Analysis of Revenue* (1-1) or (1-1 County)

#### Expenditure

The amounts reported on *Analysis of Expenditure* (1-3)

#### ITEMS ON 1

##### *Revenue*

Taxation

Financial  
Review

Item 6 — Revenue — Taxation

1-1  
(or 1-1  
County)

Taxation

Contributions from other governments

Financial  
Review

Item 6 — Revenue — Contributions from  
other governments

1-1  
(or 1-1  
County)

Contributions from other governments

Other

Financial  
Review

Item 6 — Revenue — Other revenue

1-1  
(or 1-1  
County)

Other

Total revenue

Financial  
Review

Item 6 — Revenue

1-1  
(or 1-1  
County)

Total revenue

##### *Expenditure*

County-share of expenditure

Financial  
Review

Item 8 — Expenditure — County

1-3

County-share of expenditure

Education

Financial  
Review

Item 8 — Expenditure — Education

1-3

Education

Total expenditure

Financial  
Review

Item 8 — Expenditure

1-3

Total expenditure

*Surplus (deficit) at the end of the year*

Financial  
Review

Item 12 — Surplus (deficit) at the end  
of the year

3-2

Current surplus (deficit)



**This statement reports in summary form, the flow of capital funds during the year and the balance at the end of the year.**

This instruction is to be read in conjunction with Bulletin 5, CAPITAL.

This statement is required for any year in which there are capital transactions, a balance of unfinanced capital outlay, or unexpended capital financing.

Only non-current capital fund transactions are to be reported on this statement. The following transactions are *not* to be reported here —

- (a) charges for the retirement of long term liabilities,
- (b) long term liabilities assumed by others or from others,
- (c) contributions to reserve funds and provisions for reserves,
- (d) temporary borrowing for capital purposes (including C.M.H.C. advances),
- (e) capital transactions of local boards and municipal enterprises — except transactions relating to the issue of debentures by the municipality on their behalf and the subsequent transfer of the proceeds to those bodies.

#### Explanation of Captions

#### **Unfinanced capital outlay (Unexpended capital financing) at the beginning of the year**

The excess of current liabilities over current assets (or current assets over current liabilities) as disclosed by the *Capital Fund Balance Sheet* at December 31, 1969. This figure agrees with the "Balance at the end of the year not permanently financed" (or "Unexpended funds at the end of the year") reported on the 1969 *Statement of Source and Application of Capital Funds*.

#### **Capital expenditure**

The amounts reported on the *Analysis of Capital Expenditure* (2-1), column 5.

#### **Transfers to others**

The total reported on the *Analysis of Transfers to Others* (2-2).

#### **Long term liabilities incurred**

The amount reported on the *Analysis of Capital Financing* (2-3).

#### **Contributions from other governments**

The amount reported on the *Analysis of Capital Financing* (2-3).

#### **Contributions from the revenue fund for capital expenditure**

The amount reported on the *Analysis of Contributions and Provisions from the Revenue Fund* (1-6), column 1.

#### **Contributions from reserve funds and reserves**

The amount reported on the *Analysis of Capital Financing* (2-3).

#### **Other**

The amount reported on the *Analysis of Capital Financing* (2-3).

#### **Unfinanced capital outlay (Unexpended capital financing) at the end of the year**

The excess of current liabilities over current assets of the capital fund, after making allowance for any current internal eliminations.

Calculated as follows:

1. On the *Analysis of Liabilities* (3-2)  
column 2,  
Total current liabilities \$xxx  
Add any Internal fund eliminations  
under Accounts payable \$xxx  
\$xxx
2. On the *Analysis of Assets* (3-1)  
column 2,  
Total current assets \$xxx  
Add any Internal fund eliminations—  
(a) under Accounts receivable \$xxx  
(b) under Other current assets \$xxx  
\$xxx
3. Deduct the figure in 2 from that in 1, and the result is the Unfinanced Capital Outlay (or if a negative figure, the Unexpended Capital Financing) at the end of the year.



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**ITEMS ON 2**

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Capital expenditure  
(each item and total)

(total)

Transfers to others

Long term liabilities incurred

Contributions from other governments

Contributions from reserve funds and  
reserves

Other

Contributions from the revenue fund for  
capital expenditure

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**REFERENCES TO OTHER STATEMENTS AND SCHEDULES**

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2-1

Sub-totals and total of column 5

Financial  
Review

Item 14

2-2

Total transfers in the year

2-3

Total proceeds of long term  
liabilities incurred

2-3

Total contributions from other  
governments

2-3

Total contributions from reserve  
funds and reserves

2-3

Total other capital financing

1-6

Total of column 1.

Financial  
Review

Item 11.

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**This statement reports the consolidated financial position of the municipality at the end of the year.**

Include here all assets and liabilities of the revenue fund, the capital fund and all reserve funds. However, trust and sinking funds are not consolidated and have their own balance sheets.

Certain adjustments have been made to arrive at the figures reported on this statement—

(a) accounts receivable and payable between consolidated internal funds have been eliminated, and

(b) investments by consolidated internal funds in the municipality's own debentures have been eliminated.

Explanation of Captions

**Assets**

The amounts reported on the *Analysis of Assets* (3-1).

**Liabilities**

The amounts reported on the *Analysis of Liabilities* (3-2).

ITEMS ON 3

**Assets**

Cash  
Accounts receivable  
Taxes receivable  
Other current assets  
Capital outlay to be recovered in future years  
  
Other long term assets

**Liabilities**

Temporary loans  
Accounts payable and accrued liabilities  
  
Other current liabilities  
Net long term liabilities  
Reserves and reserve funds  
Unappropriated balances

REFERENCES TO OTHER STATEMENTS AND SCHEDULES

3-1 Cash (column 4)  
3-1 Accounts receivable (column 4)  
3-1 Taxes receivable (column 4)  
3-1 Other current assets (column 4)  
3-1 Capital outlay to be recovered in future years (column 4)  
3-1 Other long term assets (column 4)  
  
3-2 Temporary loans (column 4)  
3-2 Accounts payable and accrued liabilities (column 4)  
3-2 Other current liabilities (column 4)  
3-2 Net long term liabilities (column 4)  
3-2 Reserves and reserve funds (column 4)  
3-2 Unappropriated balances (column 4)



**This statement reports the transactions of reserve funds during the year, and their balance at the end of the year.**

This instruction is to be read in conjunction with Bulletin 4, RESERVES, ALLOWANCES, RESERVE FUNDS AND OTHER SPECIAL FUNDS, which defines and explains reserve funds. If there are more than 8 reserve funds, use a supplementary sheet and report the total on the first sheet.

### Explanation of Captions

#### **Balance at the beginning of the year**

The fund balance at the end of the previous year.

behalf of the municipality for repairs, renewals and contingencies.

Specify, in the spaces provided, any other revenue of the reserve fund.

#### **Revenue**

##### *Contributions from the revenue fund*

The amounts reported in column 2 of *Analysis of Contributions and Provisions from the Revenue Fund* (1-6).

##### *Interest earned*

Interest received or receivable on investments of the reserve fund, including interest allocated by O.W.R.C. on reserve funds held by O.W.R.C. on

#### **Expenditure**

##### *Contributions for capital expenditure*

Capital expenditure financed during the year out of the reserve fund.

Specify, in the spaces provided, any other expenditure of the reserve fund.

#### **Balance at the end of the year**

The fund balance at the end of the year.

### ITEMS ON 4

Revenue—Contributions from the revenue fund (total column).

Expenditure — Contributions for capital expenditure (amount from each fund).

### REFERENCES TO OTHER STATEMENTS AND SCHEDULES

1-6 Contributions from the revenue fund—  
for reserve funds (total of column 2).

2-3 Contributions from reserve funds and reserves.





TRUST FUNDS  
STATEMENT OF CONTINUITY  
AND BALANCE SHEET

5

INSTRUCTION

**This statement reports the stewardship of the funds which are held in trust by or on behalf of the municipality.**

(This instruction is to be read in conjunction with Bulletin 4, RESERVES, ALLOWANCES, RESERVE FUNDS AND OTHER SPECIAL FUNDS, which defines and explains trust funds. If there are more than 3 trust funds, they are to be reported on a supplementary sheet and the total of all trust funds is to be reported on the first sheet.

Only those funds which are held in trust by or on behalf of the municipality are to be reported on this statement. Trust funds of local boards are to be reported with their financial statements.)

Explanation of Captions

**Balance at the beginning of the year**

The fund balance at the end of the previous year.

**Capital receipts**

Contributions received which are applicable to the capital portion of the fund.

**Interest earned**

Interest received or receivable from the investments of the fund.

**Other revenue**

The aggregate of other revenue earned by the fund.

**Expenditure**

Specify in the spaces provided any expenditure of the fund.

**Balance at the end of the year**

The fund balance at the end of the year.

**Cash**

Include bank balances and other deposits available on demand.

**Investments**

Specify all investments of the fund not covered by the printed classifications. These are to be reported at cost with the market value of the investments of all trust funds provided for information.

**Other**

Specify in the spaces provided assets of the fund other than cash and investments.

**Liabilities**

The liabilities of the fund classified as to "Accounts payable and accrued liabilities" and "Other" as specified.

**Balance**

The balance of the trust fund classified, where appropriate, by "Capital" and "Income". The capital and income portions of the trust fund are discussed in Bulletin 4, RESERVES, ALLOWANCES, RESERVE FUNDS AND OTHER SPECIAL FUNDS.



*Notes to Financial Statements* disclose specific information which is necessary for a clear understanding of the statements.

*Notes to Financial Statements* are to be regarded as an integral part of the statements to which they refer.

The Canadian Institute of Chartered Accountants Handbook (Section 1500-04), GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION, states that "Where explanatory information about any item shown in the financial statements is presented in a note, the description of the item should contain a reference to the note". Accordingly, a reference to notes 1, 2 and 3, when they are used, should appear after "Total expenditure" on the *Statement of Revenue and Expenditure*, and a reference to notes 4, 5, 6, 7, 8 and 9, when they are used, should appear on the *Consolidated Balance Sheet*.

## 1. CHARGES FOR NET LONG TERM LIABILITIES

A note is required to disclose the charges for net long term liabilities, and to indicate how they have been reflected in the *Statement of Revenue and Expenditure*.

*Suggested wording*

### Charges for net long term liabilities

Total charges for the year for net long term liabilities were as follows:	\$
Principal payments	xxx
Contributions to sinking funds and to the debt retirement fund of Ontario Water Resources Commission	xxx
Interest	xxx
	<u>xxx</u>

Of the total charges shown above, an amount of \$xxx was paid from the general revenues of the municipality and is included in expenditure, classified under the appropriate functional headings, and an amount of \$xxx was recovered from the municipal enterprises for which the related net long term liabilities were incurred.

The figures in this note are taken from the *Analysis of Charges for Net Long Term Liabilities* (1-4), totals of columns 8, 9, 10 and 11, and also the totals of column 11 for general municipal activities and municipal enterprises.



## 2. PROVISION FOR RESERVES

Where there are material provisions for reserves included in the *Statement of Revenue and Expenditure* which are not disclosed separately, a note is required to disclose the total amount provided for reserves.

*Suggested wording*

### Provision for reserves

Provisions for reserves amounting to \$xxx are included in the Statement of Revenue and Expenditure. Of this amount, \$xxx is included in "Financial expenses" and \$xxx in other items of expenditure.

The figures in this note are taken from the *Analysis of Contributions and Provisions from the Revenue Fund* (1-6), column 3.

## 3. CONTRIBUTIONS TO RESERVE FUNDS

Where there are material contributions to reserve funds included in the *Statement of Revenue and Expenditure* which are not disclosed separately, a note is required to disclose the total amount of the contributions.

*Suggested wording*

### Contributions to reserve funds

Contributions to reserve funds amounting to \$xxx are included in the Statement of Revenue and Expenditure, classified under the appropriate functional headings.

The figures in this note are taken from the *Analysis of Contributions and Provisions from the Revenue Fund* (1-6), column 2.

#### 4. BASIS OF CONSOLIDATION

A note is required to disclose the basis of consolidation, and details of any exclusions.

*Suggested wording*

##### Basis of consolidation

The Consolidated Balance Sheet reflects the assets and liabilities of the revenue fund, the capital fund and all reserve funds of the municipality. Trust fund assets administered by the municipality, amounting to \$xxx, have not been consolidated, nor have the assets and liabilities of any local boards of the municipality.

#### 5. NET LONG TERM LIABILITIES

A note is required to disclose the long term liabilities incurred and outstanding at the end of the year, and to reconcile this amount with the net long term liabilities shown on the *Consolidated Balance Sheet*.

*Suggested wording*

##### Net long term liabilities

Total long term liabilities incurred by the municipality and outstanding at the end of the year amount to	\$ xxx
---	-----------

In addition, the municipality has assumed responsibility for the payment of principal and interest charges on certain long term liabilities issued by other municipalities. At the end of the year, the principal amount of this liability is	xxx
---	-----

Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by others for a principal amount of	(xxx)
---	-------

The total value of sinking funds and the balance in the debt retirement fund of the Ontario Water Resources Commission which have been accumulated to the end of the year to retire the outstanding long term liabilities included above amount to	(xxx)
--	-------

Long term liabilities issued by the municipality, and held by reserve funds as investments, amount to	(xxx)
---	-------

Net long term liabilities at the end of the year	<u>xxx</u>
--	------------

The figures in this note are taken from the *Analysis of Net Long Term Liabilities* (3-8), totals of column 1, 2, 3, 5 and 6, and the *Analysis of Assets* (3-1), column 4, "Investments—Municipal—own".

## 6. CAPITAL OUTLAY TO BE RECOVERED IN FUTURE YEARS

A note is required to disclose the amount which is to be recovered from municipal enterprises or by special charges on specific groups of ratepayers, rather than from general municipal revenues.

### *Suggested wording*

#### Capital outlay to be recovered in future years

Some capital outlay does not represent a burden on general municipal revenues, as it is to be recovered in future years from other sources:

Special charges on benefitting landowners	\$ xxx
Municipal enterprises	<u>xxx</u> <u>xxx</u> =====

The figures in this note are taken from the *Analysis of Assets* (3-1), column 4 (from special charges, from municipal enterprises).

## 7. LIABILITIES PAYABLE IN FOREIGN CURRENCIES

Where any long term liability is payable in a foreign currency, a note is required to disclose the amount of the liability, the currency in which it is payable, and the basis of translation into Canadian funds.

### *Suggested wording*

#### Liabilities payable in foreign currencies

Included in "Net long term liabilities" is an amount of \$xxx payable in (name of foreign currency), and converted into Canadian dollars at the rate prevailing when the liability was incurred.

## 8. CONTRACTUAL OBLIGATIONS

As recommended in the CICA Handbook, contractual obligations and commitments that are abnormally large in relation to the usual operations of the municipality should be reported in a note to the financial statements. For example, service agreements with OWRC for the supply of water or sewage services; commitments to contribute towards the construction or operating costs of hospitals or universities. This note should also disclose the proposed financing, in order to indicate the effect, if any, on the financial position or future operations of the municipality.

## 9. LIABILITY FOR VESTED SICK LEAVE BENEFITS

A note is required to disclose the liability of the municipality and its local boards for unused sick leave benefits which have vested, and which could be taken in cash by terminating employees. The municipality's policy, if any, for providing for this liability, should be disclosed (i.e. reserve, reserve fund, etc.), together with details of any accumulated provision at the year end.

### *Suggested wording*

#### Liability for vested sick leave benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the municipality's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to \$xxx at the end of the year. An amount of \$xxx has been provided for this past service liability and is reported on the Consolidated Balance Sheet (or.....No provision has been made for this liability).

The figures in this note are calculated by multiplying the vested days accumulated by one half the employee's current earnings: the liability should not exceed the by-law, or one half the employee's annual earnings (the limitation in The Municipal Act), whichever is the lesser.



This schedule reports in detail the revenue of the municipality, classified by source.

### Explanation of Captions

#### **Taxation**

"Total taxation" for the year as reported on *Analysis of Taxation* (1-2).

#### **Realty — Residential and farm**

The portion of "Realty and business taxation" reported on *Analysis of Taxation* (1-2) which was levied on the Residential and farm real property assessment.

#### **Realty — Commercial and industrial**

The portion of "Realty and business taxation" reported on *Analysis of Taxation* (1-2) which was levied on the Commercial and industrial real property assessment.

#### **Business**

The portion of "Realty and business taxation" reported on *Analysis of Taxation* (1-2) which was levied on the business assessment. If the business tax cannot be obtained from the records, the estimated business tax can be calculated as follows:

Business assessment taxed for public school purposes	Average total commercial mill rate for public school supporters	\$
	xxx	
Business assessment taxed for separate school purposes	Average total commercial mill rate for separate school supporters	xxx
	xxx	
	Estimated business tax	xxx

#### **Special charges**

The total of "Special charges" as reported in column 7, *Analysis of Taxation* (1-2).

### **Contributions from other governments**

#### **Payments in lieu of taxes**

Amounts received or receivable from other governments, their agencies or enterprises, in lieu of taxes on property, irrespective of whether the amounts are determined by the imposition of mill rates on assessment or by other means.

#### Canada

Any department of the Government of Canada.

#### Canada enterprises

Any agency or enterprise of the Government of

Canada such as the National Harbours Board, Canadian National Railways or Canadian Broadcasting Corporation.

#### Ontario

Any department of the Province of Ontario.

#### Ontario enterprises

Any agency or enterprise of the Province of Ontario such as The Liquor Control Board of Ontario, Ontario Hydro-Electric Power Commission, Ontario Housing Corporation, Workmen's Compensation Board.

#### Municipal enterprises

Any enterprise of the municipality such as water, hydro, telephone, transportation and municipal parking commissions and authorities.

#### **Subsidies**

Subsidies received or receivable by the municipality from other governments towards the cost of municipal services.

Subsidies in respect of the library and other local boards of the municipality are not to be reported here but on the financial statements of those bodies.

Subsidies for capital expenditure are not to be reported here but on the *Statement of Capital Fund Operations* as "Contributions from other governments."

#### Canada

Subsidies from the Government of Canada.

#### Ontario — General

Subsidies from the Province of Ontario which are not identifiable with specific services.

#### Per capita

Subsidies under The Municipal Unconditional Grants Act and The Municipal Subsidies Adjustment Act.

#### Residential property tax reduction

Subsidies under The Residential Property Tax Reduction Act, including those in respect of reduced payments in lieu of taxes.

#### Mining municipality

Subsidies under section 28 of The Assessment Act. Specify any other General subsidies in the spaces provided.

### *Ontario — Specific*

Subsidies from the Province of Ontario which are identifiable with specific services.

#### Roadways

Subsidies under The Highway Improvement Act and The Municipal Subsidies Adjustment Act.

#### Conservation of Health

Subsidies for health services such as indigent hospitalization.

#### General welfare assistance

Subsidies for general and special welfare assistance under The General Welfare Assistance Act, (not including assistance to children) and such other services as homemaker and nursing services, and nursing home care.

#### Assistance to children

Subsidies for services such as child care and day nurseries.

#### Recreation

Subsidies for the maintenance and operation of community centres, municipal parks, non-profit camps, and other recreational facilities.

#### Cultural facilities

Subsidies for the maintenance and operation of cultural facilities such as museums.

Specify in the spaces provided other specific subsidies such as subsidies for weed control, warble fly control, emergency measures organizations and the municipality's share of liquor license fees under The Liquor License Act.

### **Municipalities**

Amounts received or receivable from other municipalities, such as county contributions towards roads under section 61 of The Highway Improvement Act.

Amounts recovered for the cost of services provided to other municipalities are not to be reported here but are to be deducted from the related expenditure shown on *Analysis of Expenditure* (1-3). The "netting" of revenue and expenditure is discussed in Bulletin 2, THE FUNCTIONAL CLASSIFICATION OF EXPENDITURE.

### **Other revenue**

#### **Licenses and permits**

Revenue from marriage licenses, the licensing of commercial activities, and from permits such as building and plumbing permits and dog tags.

#### **Rents, concessions and franchises**

Rents and fees from the use or occupancy of municipal property and from the granting of concessions or franchises, such as the operation of refreshment booths in parks, arenas, and other recreational facilities not operated by a local board.

Include shared accommodation agreement payments received or receivable from the Province in connection with the administration of justice, which are in excess of any recovery of debt charges or reimbursement of operating costs.

#### **Fines**

Revenue from fines imposed for contravention of the by-laws of the municipality.

#### **Service charges**

Revenue from charges for services rendered by the municipality, such as fees for issuing tax certificates, application fees for the Committee of Adjustment, search fees, and the sale of maps, plans, and other documents. Include fees for recreation programmes and admission to recreational facilities not operated by a local board.

#### **Penalties and interest on taxes**

Penalties and interest imposed on overdue taxes including accruals at December 31st.

#### **Income from investments**

Interest from the investments of the Revenue Fund of the municipality.

Specify in the spaces provided other revenue such as amounts transferred from reserves and from the surpluses of local boards, discounts for prompt payment of county levies, amounts charged back to other bodies for adjustments to the taxes levied and taxes written off, and any deficiency reported in column 4, *Continuity of Deferred Revenue* (3-5).

ITEMS ON 1-1REFERENCES TO OTHER SCHEDULES AND STATEMENTS

Taxation

1 Taxation

1-2 Total taxation

3-3 Taxation revenue

Contributions from other governments

1 Contributions from other governments

Other

1 Revenue — Other

Other — Penalties and interest on taxes

3-3 Penalties and interest added during the  
year

Total revenue

1 Total revenue

**This schedule reports in detail the revenue of the county, classified by source.**

### Explanation of Captions

#### **Taxation**

##### *Levy on local municipalities*

The amounts reported in columns 2 and 3 of *Continuity of the County Levy* (1-2 County).

#### **Contributions from other governments**

#### **Subsidies**

Subsidies received or receivable by the county from other governments towards the cost of county services.

Subsidies in respect of the local boards of the county are not to be reported here but on the financial statements of those boards.

Subsidies for capital expenditure are *not* to be reported here but on the *Statement of Capital Fund Operations* as "Contributions from other governments".

#### **Canada**

Subsidies from the Government of Canada.

#### **Ontario**

##### *Assessment*

Subsidies under The Assessment Act.

##### *Roadways*

Subsidies under The Highway Improvement Act and The Municipal Subsidies Adjustment Act.

##### *Conservation of health*

Subsidies for health services such as indigent hospitalization.

##### *General welfare assistance*

Subsidies for general and special welfare assistance under The General Welfare Assistance Act (not including assistance to children) and other services such as home-maker and nursing services, and nursing home care.

##### *Assistance to children*

Subsidies for child care.

Specify in the spaces provided other subsidies such as subsidies for weed control, emergency measures organizations, and cultural facilities.

#### **Municipalities**

Amounts received or receivable from other municipalities towards the cost of county services (not including the county levy which is reported under "Taxation" above).

Amounts recovered for the cost of services provided for other municipalities are not to be reported here but are to be deducted from the related expenditure shown on *Analysis of Expenditure* (1-3). The "netting" of revenue and expenditure is discussed in Bulletin 2, THE FUNCTIONAL CLASSIFICATION OF EXPENDITURE.

#### **Other**

##### *Licenses and permits*

Revenue from the licensing of business activities such as auctioneers, salvage yards, and such activities as county fairs.

##### *Rents, concessions and franchises*

Rents and fees from the use or occupancy of county property and from the granting of concessions and franchises, such as the operation of refreshment booths at county fairs or other recreational facilities not operated by a local board.

Include shared accommodation agreement payments received or receivable from the Province in connection with the administration of justice, which are in excess of any recovery of debt charges or reimbursement of operating costs.

##### *Income from investments*

Interest from the investments of the Revenue Fund of the county.

Specify in the spaces provided other revenue such as amounts transferred from reserves, service charges, fines imposed for contravention of county by-laws and fees for recreation programmes and admission to recreational facilities not operated by a local board.

#### ITEMS ON 1-1 COUNTY

Taxation — levy on local municipalities

Contributions from other governments

Other

Total revenue

#### REFERENCES TO OTHER SCHEDULES AND STATEMENTS

1 Taxation

1-2 Column 2 + 3

County

1 Contributions from other governments

1 Revenue — Other

1 Total revenue



**This schedule classifies taxation revenue, taxable assessment and mill rates by purpose.**

### Explanation of Column Headings

#### **Taxable assessments**

The assessment figures upon which the 1970 mill rates were set, analysed by purpose (see below) and classified according to "Residential and farm" (column 1) and "Commercial and industrial" (column 2).

#### **Mill rates**

The 1970 mill rates analysed by purpose and classified according to "Residential and farm" (column 3) and "Commercial and industrial" (column 4).

#### **Taxes levied**

##### **Original**

The taxes determined by applying 1970 mill rates to the taxable assessments, less the taxes on farm lands exempted under section 29 of The Assessment Act.

##### **Supplementary**

Taxes such as those under sections 42 and 43 of The Assessment Act levied as a result of omissions from, and additions to, the collector's roll. (These taxes are apportioned among the bodies for which the municipality is required to levy taxes.)

##### **Total**

The total of column (5) and (6).

### Explanation of Captions

#### **Municipal**

##### **General**

The whole of the municipality for general municipal activities, less deductions granted to the ratepayers of a police village under section 498 of The Municipal Act.

If specific mill rates are set for certain of the general purposes, such as roadways and welfare, they are to be reported separately in the spaces provided. Payments received from public utility commissions under section 35 of The Assessment Act are not to be reported here but on *Analysis of Revenue* (1-1) as "Contributions from other governments — Payments in lieu of taxes — Municipal enterprises".

##### **Special area rates (including those of police villages)**

Areas of the municipality which have separately assessed mill rates for special municipal services such as street lighting, garbage collection and sewer services.

Where more than four rates apply, the information is to be reported on a separate blank sheet and the totals only inserted on the printed schedule.

#### **County**

The county which is supported by the municipality.

#### **School boards**

The whole of the municipality for school board purposes, identified separately as "Elementary — public or separate" and "Secondary".

Where there is more than one public, separate or secondary school levy, the mill rates reported are to be the weighted average school board mill rates.

#### **Adjustments to the taxes levied**

Additions, such as the difference between the computed tax and the minimum tax levied under section 538 of The Municipal Act.

Deductions, such as the difference between the computed tax and the maximum tax levied on a telephone company under section 11 of The Assessment Act.

Deductions are to be made in total. Amounts charged back to the bodies for which the municipality is required to levy taxes are to be reported on *Analysis of Revenue* (1-1) as "Other revenue". Taxes written off and discounts allowed are not to be reported here but on *Analysis of Expenditure* (1-3) as "Financial expenses".

#### **Residential property tax reduction**

The reduction of taxes granted under The Residential Property Tax Reduction Act, but excluding reductions in respect of properties subject to payments in lieu of taxes.

#### **Realty and business taxation**

Total taxes levied by the imposition of mill rates for municipal and school board purposes after adding or deducting adjustments to the taxes levied and subtracting the residential property tax reduction.

#### **Special charges**

Charges levied by means other than the imposition of mill rates, such as local improvement charges, sewer rates, sewage service rates, municipal drainage charges, and annual taxes on universities, levied under section 294 (b) of The Municipal Act.

Items such as dog taxes, utility rate arrears and Federation of Agriculture fees are *not* to be reported on this schedule as Taxation, but are to be

shown on *Continuity of Taxes Receivable* (3-3) as "Amounts added to the tax bills for collection purposes only".

## Total taxation

Realty and business taxation plus special charges.

## Average total mill rate

The sum of the general, special area, county, and school board or average school board mill rates for each of the public and separate school supporters for each of the "Residential and farm" and "Commercial and industrial" assessments.

ITEMS ON 1-2	REFERENCES TO OTHER SCHEDULES AND STATEMENTS	
Municipal — General (column 1)	Financial Review	Item 4 — Residential and farm assessment
Municipal — General (column 2)	Financial Review	Item 4 — Commercial and industrial as- essment
Municipal — Special area rates — police villages (column 7)	1-3	Other (contribution to police villages)
	3-6	Taxation — Police Village requisition — Township of _____
Municipal—Special area rates (column 7)	3-7	Taxation — special area rate
School boards — Elementary — public	1-7	Public (sub-totals)
Column 1		Column 2 (residential)
Column 2		Column 2 (commercial)
Column 5		Column 4
Column 6		Column 8
School boards — Elementary — separate	1-7	Separate (sub-totals)
Column 1		Column 2 (residential)
Column 2		Column 2 (commercial)
Column 5		Column 4
Column 6		Column 8
School boards — Secondary	1-7	Secondary (sub-totals)
Column 1		Column 2 (residential)
Column 2		Column 2 (commercial)
Column 5		Column 4
Column 6		Column 8
Special charges — local improvement charges (column 7)	3-5	Local improvement charges (column 2)
Special charges (column 7, individual items)	3-5	Other (column 2, individual items)
Total taxation	1-1	Taxation
	3-3	Taxation revenue
Average total mill rate — public school supporters	Financial Review	Item 5 — Rates of taxation
Residential and farm		Residential and farm
Commercial and industrial		Commercial and industrial

This schedule reports the amounts levied by the county on each of its supporting municipalities. It also analyses the amount receivable at the end of the year.

Explanation of Column Headings

**Amount receivable at the beginning of the year (column 1)**

Prior years' levies receivable from each municipality at the beginning of the year.

**Amount of taxes levied (column 2)**

The amounts requisitioned by the county from each municipality.

**Portion of supplementary taxes levied by the municipalities that support the county (column 3)**

The county's portion of the supplementary taxes levied by each municipality.

**Amount received from municipalities (column 4)**

Collections during the year from each municipality for current and prior years' levies.

**Discounts allowed (column 5)**

Discounts allowed to each municipality for payment of the county levy, when such payment is made before December 20th.

**Other (column 6)**

Adjustments, such as the county's portion of taxes written off by each municipality.

If the transactions between the county and a municipality are settled individually (e.g. the municipality pays the county the total of the taxes levied and the county pays the municipality the discounts, taxes written off, or other adjustments), columns 5 and 6 are to be completed for information only and are *not* to be included in the cross-additions.

**Amount receivable at the end of the year (column 7)**

Amount receivable from each municipality at the end of the year. This balance is to be reported on the *Analysis of Assets* (3-1) as "Accounts Receivable — Other governments — Municipal".

ITEMS ON 1-2 COUNTY

Amount of taxes levied and portion of supplementary taxes levied by the municipalities that support the county (column 2 + 3)

Discounts allowed (column 5)

REFERENCES TO OTHER SCHEDULES AND STATEMENTS

1-1      Taxation — Levy on local municipalities  
County

1-3      Financial expenses — Discounts on taxes

**This schedule reports, in detail, the expenditure of the municipality, classified by function.**

*Explanation of Captions*

The content is organized by function, as described in Bulletin 2, THE FUNCTIONAL CLASSIFICATION OF

EXPENDITURE, which should be read in conjunction with this instruction.

"County-share of expenditure" should be left blank in the financial reports of counties.

ITEMS ON 1-3

Totals of function classifications and total expenditure

County-share of expenditure

REFERENCES TO OTHER SCHEDULES AND STATEMENTS

1      Expenditure — function totals and total expenditure

3-5     Amount required — county — column 3



This schedule shows how the cost of servicing debt is apportioned over the major services of the municipality and its local boards.

### Explanation of Captions

The content of the schedule is organized by function, as described in Bulletin 2, THE FUNCTIONAL CLASSIFICATION OF EXPENDITURE, which should be read in conjunction with this instruction.

For a definition of the terms "General municipal activities", "Municipal enterprises", and "School boards", see Bulletin 1, THE MUNICIPAL REPORTING STRUCTURE.

The figures reported on this schedule will be included in the expenditure classifications on

- (a) *Analysis of Expenditure* (1-3), or
- (b) the financial statements of local boards.

### Explanation of Column Headings

#### **Charges for long term liabilities — incurred by the municipality**

##### **Principal (column 1)**

The amount of serial debentures and other long term liabilities maturing during the year (exclude sinking fund debenture maturities and contributions to sinking funds).

##### **Contributions to sinking funds and O.W.R.C. debt retirement fund (column 2)**

The amount of principal payable by the municipality for the year to the debt retirement fund of the Ontario Water Resources Commission (O.W.R.C.) and to the municipality's sinking funds.

##### **Interest (column 3)**

The interest payable for the year on serial and sinking fund debentures, outstanding O.W.R.C. debt, and on any other long term liabilities of the municipality.

#### ITEMS ON 1-4

Total charges for net long term liabilities (column 11)
Total general municipal activities
Total municipal enterprises
Total charges — totals of columns 8, 9, 10 and 11
Total charges for net long term liabilities (column 11)
Total general municipal activities

#### **Charges for long term liabilities—assumed from others**

##### **Principal (column 4)**

The amount of principal payable for the year to other municipalities for long term liabilities assumed from them.

##### **Interest (column 5)**

The amount of interest payable for the year to other municipalities in respect of long term liabilities assumed from them.

#### **Charges for long term liabilities — assumed by others**

##### **Principal (column 6)**

The amount of principal for the year receivable from other municipalities, divisional boards of education, or, in the case of administration of justice, from the Province, for long term liabilities assumed by them.

##### **Interest (column 7)**

The amount of interest for the year receivable from other municipalities, divisional boards of education, or, in the case of administration of justice, from the Province, in respect of long term liabilities assumed by them.

#### **Total charges for net long term liabilities**

##### **Principal (column 8)**

The sum of columns 1 and 4, less column 6.

##### **Contributions to sinking funds and O.W.R.C. debt retirement fund (column 9)**

Repeat column 2.

##### **Interest (column 10)**

The sum of columns 3 and 5, less column 7.

##### **Total (column 11)**

The sum of columns 8, 9 and 10.

#### REFERENCES TO OTHER SCHEDULES AND STATEMENTS

7	<i>Notes to Financial Statements</i> —Note relating to total charges for net long term liabilities
7	<i>Notes to Financial Statements</i> —Note relating to total charges for net long term liabilities
Financial Review	Item 10—General municipal activities

**FIVE YEAR PROJECTION OF CHARGES  
FOR EXISTING NET LONG TERM LIABILITIES**

**1-5**  
INSTRUCTION

**This schedule shows the future cost of servicing existing net long term liabilities to the municipality and its local boards.**

*Explanation of Captions*

The charges for existing net long term liabilities are projected for the next five years.

The figures in this schedule are to be calculated by the same method as were the totals in columns 8, 9, 10 and 11 of Schedule 1-4, total of general municipal activities and total of municipal enterprises.

Do not include principal repayments of sinking fund debentures. Include only the annual contributions to sinking funds and O.W.R.C. debt retirement fund.

If difficulty is encountered in the projection, due to the existence of assumptions by and from others, make the most accurate estimate available.

**Note**

This schedule projects the debt charges on those liabilities (and only those liabilities) actually in existence at the end of the year; it does not predict the effect of future capital borrowing or annexations.

ANALYSIS OF CONTRIBUTIONS  
AND PROVISIONS FROM THE REVENUE FUND

1-6  
INSTRUCTION

This schedule shows what provisions have been made from the revenue fund for capital expenditure, reserve funds and reserves.

Explanation of Captions

The content of this schedule is organized by function, as described in Bulletin 2, THE FUNCTIONAL CLASSIFICATION OF EXPENDITURE which is to be read in conjunction with this Instruction.

The amounts reported here are included in the *Analysis of Expenditure*, (1-3) classified by function. Provisions for reserves will be shown under "Financial expenses" only when they cannot be classified by function.

ITEMS ON 1-6	REFERENCES TO OTHER SCHEDULES AND STATEMENTS	
For capital expenditure (total column 1)	2	Contributions from the revenue fund for capital expenditure
For reserve funds (total column 2)	4	Revenue — contributions from the revenue fund (total column)
For reserves (total column 3)	3-4	Reserves — Additions: Current year's provision (total column)

**This schedule provides additional information concerning the levy and requisition for school purposes, analysed over the school boards which were formerly supported by the municipality.**

An extra copy of this schedule is to be submitted to the Department for use by the Department of Education.

### Explanation of column headings

Type the names of the 1970 school boards as headings in the left hand column, and under each the names of the former school boards.

Report the information according to the school boards as they existed in 1968 (except columns 8, 9 and 10, which are classified by public, separate and secondary only). Where there is more than one school board levying for public, separate or secondary purposes in 1970, sub-total by school board and then total for public, separate and secondary.

### **Assessment (Column 2)**

The amount of assessment upon which the 1970 school mill rates were set, classified according to residential and commercial.

### **Mill rates (Column 3)**

The school mill rates levied in 1970, classified according to residential and commercial.

### **Levy (Column 4)**

The amount determined by applying 1970 mill rates to the taxable assessment reported in column 2.

### **Other revenue (Column 5)**

Specify amounts paid to the school boards as part of their requisition, such as the school board's share of payments in lieu of taxes (including those received from H.E.P.C. of Ontario for dwelling houses under section 48 of The Power Commission Act and from O.H.C. under section 9 of The Housing Development Act) and mining revenue payments.

Where more than one type of revenue is included

here, show the breakdown by a note at the foot of the page or a supplementary schedule.

### **Requisition (Column 6)**

The amounts requisitioned for the year as notified to the municipality by the school boards. Where the requisition (or for separate school boards, the mill rate) is not analysed over former school boards, report here only the total amounts requisitioned.

### **Overlevy or underlevy for the year (Column 7)**

The difference between (column 4 + column 5) and column 6. An overlevy results when (column 4 + column 5) exceeds column 6, and an underlevy when column 6 exceeds (column 4 + column 5).

### **Payments in addition to requisition**

Report here amounts paid to school boards in addition to their requisitions:

### **Supplementary taxes (column 8)**

The school board's share of supplementary taxes such as those levied under sections 42 and 43 of The Assessment Act.

### **Miscellaneous revenue (column 9)**

The school board's share of such items as trailer licence fees and pupil fees arising from municipal trailer camps.

### **Amounts charged back to school boards (Column 10)**

Include here such items as adjustments to the taxes levied and taxes written off.

### ITEMS ON 1-7

Public (totals)  
Column 2 (residential)  
Column 2 (commercial)  
Column 4  
Column 8

### REFERENCES TO OTHER SCHEDULES AND STATEMENTS

1-2 School Boards — Elementary — public  
Column 1  
Column 2  
Column 5  
Column 6



**ITEMS ON 1-7****REFERENCES TO OTHER SCHEDULES AND STATEMENTS**

## Separate (totals)

Column 2 (residential)  
Column 2 (commercial)  
Column 4  
Column 8

1-2 School Boards — Elementary — separate  
Column 1  
Column 2  
Column 5  
Column 6

## Secondary (totals)

Column 2 (residential)  
Column 2 (commercial)  
Column 4  
Column 8

1-2 School Boards — Secondary  
Column 1  
Column 2  
Column 5  
Column 6

## Column 6 (totals) + column 8 (totals)

Public  
Separate  
Secondary

3-5 Boards of education (column 3)  
Public  
Separate  
Secondary

**This schedule shows how the county determined the equalized assessments on which to apportion its tax levy among its supporting municipalities.**

### Explanation of Column Headings

#### **Realty and business assessments (column 1)**

The assessments upon which each municipality set its preceding year's mill rate for general municipal purposes. (For example, the amount reported in 1970 is to be the 1968 assessment upon which each municipality set its 1969 mill rate.)

#### **Assessment required to produce an amount equal to any**

##### **(a) Mining revenue payment**

calculated as follows: (section 73 of The Assessment Act)

- (1) determine the portion of the payment receivable in the preceding year by each mining municipality which was based on mine profits,
- (2) multiply this portion by 1,000,
- (3) ascertain the aggregate of the mill rates levied by the municipality for general and county purposes on the commercial and industrial and business assessments,
- (4) divide the amount determined in (2) by (3).

##### **(b) University tax**

specify here the amount of assessment which would have produced the amount of university tax which was, or which could have been, levied under section 294(b) of The Municipal Act.

#### **Assessments on which payments in lieu of taxes were determined (column 3)**

The realty assessments on which payments in lieu of taxes were receivable in the preceding year by each municipality from any department, agency or enterprise of the Government of Canada and the Province of Ontario, or from any agency or enterprise of the municipality.

Do not include payments receivable from the Government of Canada for relief of tenants under section 660 of The Municipal Act, (or, in the case of the Counties of Prescott and Renfrew, payments receivable from the Hydro Electric Power Commission of Ontario under section 13 of The Ottawa River Water Power Act, 1943).

Where payments in lieu of taxes from the Govern-

ment of Canada have been reduced by deductions made under The Municipal Grants Act (Canada) for services provided by the federal government or its agencies, the relevant assessments should be reduced proportionately.

#### **Subtotal (column 4)**

The total of columns 1, 2 and 3.

#### **Portions of fixed assessments exempt from the tax levy for general purposes (column 5)**

The difference between any fixed assessment and the assessment for school rates as reported in the assessment roll.

#### **Total (column 6)**

The total of columns 4 and 5.

#### **Factors used to equalize assessments (column 7)**

The factors, if any, applied by the county to equalize assessments prior to apportioning the taxes levied by the county among its supporting municipalities.

#### **Equalized assessments upon which the county levy was apportioned**

##### **excluding the exempt portions of fixed assessments (column 8)**

Column 4 adjusted by column 7: used by the county to apportion its levy, except for certain expenditures (listed below), among its supporting municipalities.

##### **including the exempt portions of fixed assessments (column 9)**

Column 6 adjusted by column 7: used by the county to apportion among its supporting municipalities the portion of its levy for the following expenditures: (section 295 of The Municipal Act).

Education

Unemployment relief

Hospital grants and debt charges

Grants for purposes listed in section 378 of The Municipal Act.

**This schedule reports total capital expenditure for the year, classified by function and type of asset.**

This schedule is to be used to report *all* capital expenditure incurred in the year by the municipality for general municipal activities.

Capital expenditure is defined in Bulletin 5, CAPITAL, which should be read in conjunction with this Instruction.

Include not only capital expenditure met from the proceeds of debentures and other long term liabilities, but also capital expenditure met from

- the revenue fund
- reserve funds
- reserves
- federal and provincial capital grants
- other capital receipts

Also include

- capital work in progress at the end of the year
- interest on temporary borrowing incurred for capital purposes, where capitalized
- capital expenditure under the provisions of The Local Improvement Act; The Drainage Act and section 380 of The Municipal Act (the total cost, including both the municipality's and the owner's portion of the work)
- capital expenditure by the O.W.R.C. on behalf of the municipality under construction and operating agreements (but not service agreements)
- capital expenditure on development roads.

There are, however, certain items which are *not* recorded on this schedule:

- capital expenditure of municipal enterprises and other local boards (which is to be reported in the financial statements of the respective bodies)
- discount on debentures
- drainage works under The Tile Drainage Act
- capital grants to other organizations (for example, to a university or a hospital) or any other expenditure for which long term liabilities have been issued, and which does not result in the acquisition by the municipality of a fixed asset (for example, capitalized deficits).

Explanation of column headings

**Land (column 1)**

All costs arising from the acquisition of land and rights of way, including such incidental costs as legal, realty and appraisal fees, disturbance and relocation allowances etc. Where land is acquired with buildings on it, and these buildings are not required for the capital project (i.e. they are to be demolished), the cost of both the land and the buildings is to be shown here, together with any demolition and site clearance expenses incurred.

**Buildings (column 2)**

All costs arising from the acquisition or construction of buildings (other than those included with land, in column 1). The cost of elevators, boilers, heating, air conditioning and refrigeration equipment, electric lighting and control equipment, etc., should be separated from the cost of the building and reported in column 4 as machinery and equipment. Where it is not possible to separate these costs, include them here under buildings.

**Engineering structures (column 3)**

All costs arising from the acquisition or construction of permanent structural works such as roads, sidewalks, bridges, traffic signs, park improvements and landscaping, incinerators, sewers, street lighting, swimming pools etc. Do not include here the land element, or any buildings, these are to be shown in columns 1 and 2 respectively.

**Machinery and equipment (column 4)**

All costs arising from the acquisition of such items as trucks, graders, cars and other vehicles; office furniture and equipment; motors; pumps; electrical equipment; construction equipment etc. Elevators, heating, cooling and other types of equipment integral to most buildings should be shown here if they can be segregated from the cost of the building.

Other capital expenditure which is not readily allocable to any of the above headings should be

charged to the classification which is most appropriate, for example, architects' and engineering fees, advertising and borrowing expenses in respect of new municipal offices could be shown under buildings.

### **Total (column 5)**

The total of columns 1, 2, 3 and 4.

#### **ITEM ON 2-1**

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Column 5, function sub-totals and total

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### **Used assets**

Where the municipality has acquired assets which are not new, report the total amount involved at the foot of columns 2, 3, 4 and 5, as well as including it in the functional analysis of capital expenditure above. Common examples are the purchase of existing buildings and second-hand machinery and equipment.

#### **REFERENCES TO STATEMENT 2**

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Capital expenditure (function sub-totals and total).

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**This schedule reports the transfers of capital funds by the municipality in the year to municipal enterprises and others.**

*Explanation of captions*

**Municipal enterprises**

The amounts transferred classified by enterprise (e.g. water, hydro, cemeteries).

**Other**

Specify in the spaces provided, transfers to local boards which are not municipal enterprises and to others, and specify by recipient (e.g. library board, parks board, landowners for tile drainage loans, etc.). Also include any other transfers of capital

funds, such as surplus debenture proceeds transferred to the revenue fund.

When the construction and financing of a capital project for a local board extends over more than one year, and advances are made to the local board prior to the issue of debentures by the municipality, the amount reported under this heading will be the amount advanced during the year. In the subsequent year when the debentures are issued, the figure shown here will be the net amount of capital funds transferred (i.e. the net proceeds of the debentures, less the amount of advance reported in prior years).

**ITEM ON 2-2**

Total transfers in the year

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**REFERENCE TO STATEMENT 2**

Capital outlay—Transfers to others

---

**This schedule reports the capital financing obtained in the year, analysed according to source.**

### Explanation of Captions

#### **Long term liabilities incurred**

The net proceeds from long term liabilities incurred during the year, as reported on the *Analysis of Long Term Liabilities Incurred* (2-4), column 8, lender or program sub-totals.

#### **Contributions from other governments**

Specify here all contributions for capital expenditure, including grants for highway improvement, development roads, forgiveness of principal by CMHC, drainage subsidies, and sales tax rebates (only when not deducted from the relevant capital expenditure).

#### **Contributions from reserve funds and reserves**

Report here all amounts of a capital nature which are charged to reserve funds and reserves. These amounts will also be reported on the *Statement of Continuity of Reserve Funds* and the *Continuity of Allowances and Reserves* (3-4).

Specify by fund or reserve (e.g. subdivider's re-

serve fund, reserve for replacement of equipment, etc.).

#### **Other**

##### **Prepayment of special charges**

Commutations of special rates and assessments under The Local Improvement Act, The Drainage Act, and The Municipal Act (section 380). Include only commuted payments received *prior* to the incurrence of long term liabilities. Any payments received *after* this date are not to be reported on this schedule, but on the *Analysis of Deferred Revenue* (3-5).

##### **Other**

Specify here capital receipts which are not reported elsewhere, such as—

proceeds from the sale of land and other fixed assets

interest earned on capital fund investments

compensation from an insurance policy on fixed assets

gifts and bequests for capital purposes.

### ITEMS ON 2-3

Long term liabilities incurred

(total)

(each item and total)

Contributions from other governments (total)

Contributions from reserve funds and reserves

(total)

(each item)

Other (total)

### REFERENCES TO OTHER STATEMENTS AND SCHEDULES

2 Long term liabilities incurred

2-4 Column 7, (sub-totals and total)

2 Contributions from other governments

2 Contributions from reserve funds and reserves

4 Contributions for capital expenditure

3-4 Reserves—deductions

2 Capital financing—other

**This schedule reports long term liabilities incurred  
in the year classified by lender and program.**

Debentures are to be reported here *only* when the cash has actually been received for them. Other liabilities to be reported on this schedule include liabilities to the OWRC for water or sewage construction and operating agreements, and any *long term* bank loans arranged specifically for capital purposes and to be repaid over a fixed number of years (with OMB approval).

Do not include

- (a) *temporary* borrowing pending the receipt of permanent financing,
- (b) accrued interest on debentures which should be "netted" against the first interest payment on the *Analysis of Expenditure* (1-3).
- (c) long term liabilities assumed from other municipalities

Explanation of column headings

**Lender (column 1)**

Identify each debenture issue or other liability by lender or program (e.g. CMHC, OECAC, OMIC, OWRC, Tile Drainage Program, The Public).

**Purpose (column 2)**

The purpose for which each liability was incurred, for example, parks, waterworks, etc. Show consolidated issues according to the main purpose only.

ITEMS ON 2-4

Net proceeds (column 8)  
(Sub-totals & total)  
  
(total)

**Type (column 3)**

Indicate whether the issue is of an instalment, sinking fund or some other nature.

**Term (column 4)**

The maximum number of years to maturity for each liability.

**Interest rate (column 5)**

The interest rate applicable to each liability.

**Par value (column 6)**

The par, or face, value of each issue. Specify the currency of issue (e.g. Canadian, U.S.).

**Date cash received (column 7)**

Show the date of receipt of the cash proceeds, or if debentures are sold "over the counter", indicate the period covered by the sale (e.g. April-July).

**Net proceeds (column 8)**

The cash received from each liability incurred, i.e. the par value (column 6) less any discount (or plus any premium). Show sub-totals for each lender or program as they will be needed when completing the Long term liabilities incurred section on the *Analysis of Capital Financing* (2-3).

REFERENCE TO OTHER SCHEDULES AND STATEMENTS

- 2-3 Long term liabilities incurred  
(each item & total)
- 2 Long term liabilities incurred

**This schedule reports in detail the assets of the municipality at the end of the year, classified by fund.**

### Explanation of Captions

Current assets are those ordinarily realizable within one year from the date of the balance sheet.

### **Cash**

All cash, including bank and other deposits available on demand.

### **Accounts receivable**

Including accruals at the end of the year.

Do not include here advances to local boards for capital expenditure pending permanent financing, which should be reported under "Capital outlay to be recovered in future years".

### **Other governments**

#### *Canada*

Amounts receivable from any department or agency of the government of Canada for such items as subsidies, payments in lieu of taxes, etc.

#### *Ontario*

Amounts receivable from any department or agency of the government of Ontario for such items as subsidies, payments in lieu of taxes, sales tax rebates etc.

#### *Municipal*

Amounts receivable from other municipalities for such items as contributions to the cost of services and charges for long term liabilities assumed.

### **Local boards and other funds**

Specify the other funds or local boards from which amounts are receivable, such as trust funds, library board, public utility commission, school board etc.

### **Other**

All other amounts receivable by the municipality at the end of the year. Any allowance for doubtful accounts, as reported on *Continuity of Allowances and Reserves* (3-4), is deducted here.

### **Internal fund eliminations**

Deduct here amounts due from consolidated internal funds as reported above under "Local boards

and other funds—Internal funds (revenue, capital and reserve funds). The total in column 4 will agree with that reported on the *Analysis of Liabilities* (3-2) under "Accounts payable and accrued liabilities — Internal fund eliminations" (column 4).

### **Taxes receivable**

#### **Taxes**

The balance of unpaid taxes, including penalties and interest, as reported on the *Continuity of Taxes Receivable* (3-3), less any allowance for uncollectable taxes, as reported on the *Continuity of Allowances and Reserves* (3-4).

#### **Property acquired for taxes**

The balance of the tax sale or tax registration account, less any allowance for loss on sale, as reported on the *Continuity of Allowances and Reserves* (3-4).

### **Other current assets**

#### **Investments, at cost**

Report here all investments of the municipality and specify those not covered by the printed classifications. Show total 1970 market value for information purposes. (Do not report here investments of the sinking funds or trust funds, which have their own balance sheets).

#### **Inventories, at cost**

The cost of goods or supplies on hand.

#### **Other**

Any other current assets not reported above, such as deferred charges, underlevies as reported in column 5, *Continuity of Deferred Revenue* (3-5), pre-paid OWRC operating expenses and other prepayments, funds held by the OWRC on behalf of the municipality (for repairs, renewals and contingencies, as reported annually by the Commission).

#### **Internal fund eliminations**

Deduct here the investment of the consolidated internal funds in the municipality's own debentures, as reported under "Investments — Municipal — own".



### Capital outlay to be recovered in future years

Capital expenditure and capital transfers to the extent that they have been or will be, financed by the incurrence of long term liabilities, and which have not yet been recovered from general municipal revenues, special charges or municipal enterprises. Included here will be —

- work in progress and other capital expenditure met, or to be met, from the proceeds of long term liabilities.
- works under The Local Improvement Act, The Drainage Act and section 380 of The Municipal Act (the landowners' and the municipality's portions).
- sewage works and water works constructed by the OWRC on behalf of the municipality under construction and operating agreements (but not service agreements).
- transfers to local boards and municipal enterprises for capital purposes, including advances made prior to the receipt of permanent financing
- transfers to landowners under The Tile Drainage Act.

#### ITEMS ON 3-1

Cash (column 4)

Accounts receivable (column 4)

Accounts receivable (column 4)

— Internal fund eliminations

Taxes receivable (column 4)

Other current assets (column 4)

Other current assets

— Internal fund eliminations

— Investments— Municipal — own

Capital outlay to be recovered in future years (column 4)

Other long term assets

- intangible assets, for which long term liabilities have been incurred, such as capital grants to universities and hospitals, capitalized deficits.

Show the amount of any capital outlay to be recovered from specific ratepayers under the appropriate legislation heading (e.g. the landowner's portion of works under The Drainage Act, loans to landowners under The Tile Drainage Act). Classify other capital outlay according to whether it is to be recovered from municipal enterprises (such as waterworks), or from general municipal revenues (including local boards which are not municipal enterprises, such as library boards, and also the municipality's portion of works under The Local Improvement Act, The Drainage Act, etc.).

### Other long term assets

#### Long term receivables

Specify in the spaces provided, amounts due to the municipality which are not receivable within one year of the balance sheet date. Include such items as properties sold to the Province for administration of justice where there is no debenture debt outstanding.

#### REFERENCES TO OTHER SCHEDULES AND STATEMENTS

3 Cash

3 Accounts receivable

3-2 Accounts payable and accrued liabilities (column 4)

— Internal fund eliminations

3 Taxes receivable

3 Other current assets

3-2 Net long term liabilities (column 4)

— Internal fund eliminations

7 Note concerning Net Long Term Liabilities

3 Capital outlay to be recovered in future years

7 Note concerning Capital outlay to be recovered in future years.

3 Other long term assets

**This schedule reports in detail the liabilities of the municipality at the end of the year, classified by fund.**

### Explanation of Captions

Current liabilities are those ordinarily payable within one year from the date of the balance sheet, but do not include long term liabilities maturing within one year.

#### **Temporary loans**

Short-term borrowing pending the receipt of revenue or for capital purposes.

#### **Accounts payable and accrued liabilities**

Including accrued liabilities at the end of the year.

#### **Other governments**

Amounts payable to the governments of Canada and Ontario and to other municipalities, but not payables which arise in the normal course of business, such as income tax deductions, hospital insurance premiums and pension fund contributions.

#### **Local boards and other funds**

Amounts payable to the specified internal funds and to local boards (including school boards), sinking funds and trust funds.

#### **Other**

Include here such items as trade accounts, payroll deductions, principal and interest due on long term liabilities, holdbacks and accrued liabilities for goods or services received before the year end.

#### **Internal fund eliminations**

Deduct here amounts payable to consolidated internal funds as reported above under "Local boards and other funds — internal funds (revenue, capital and reserve funds)". The total in column 4 will agree with that reported on the *Analysis of Assets* (3-1), "Accounts receivable — Internal fund eliminations" (column 4).

#### **Other current liabilities**

Include here any other current liabilities, such as deferred revenue and overlevies as reported in column 5, *Continuity of Deferred Revenue* (3-5).

#### **Net long term liabilities**

Refer to Bulletin 3, Net Long Term Liabilities, for a detailed description.

Report here the sub-totals of General municipal activities and Municipal enterprises, from column 6, *Analysis of Net Long Term Liabilities* (3-8).

#### **Internal fund eliminations**

Deduct here the amount of any investments in the municipality's own debentures, held by the consolidated internal funds (revenue, capital and reserve funds). This figure will agree with that reported on the *Analysis of Assets* (3-1) under "Investments — Municipal — own".

#### **Reserves and reserve funds**

In column 1, show the total "Balance at the end of the year" for Reserves, as reported on the *Continuity of Allowances and Reserves* (3-4), and in column 3 show the total "Balance at the end of the year" as reported on the *Statement of Continuity of Reserve Funds*.

#### **Unappropriated balances**

##### **Current surplus (deficit)**

The surplus (deficit) at the end of the year, as reported on the *Statement of Revenue and Expenditure*.

##### **Unappropriated capital receipts**

Specify in the spaces provided, any capital receipts which have not yet been appropriated, such as unexpended proceeds of capital levies, proceeds from the sale of fixed assets, etc. Do not report here items such as unexpended debenture proceeds, which are included under "Net long term liabilities".

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**ITEMS ON 3-2**

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Temporary loans (column 4)

Accounts payable and accrued liabilities (column 4)

Accounts payable and accrued liabilities (column 4)

— Internal fund eliminations

Other current liabilities (column 4)

Net long term liabilities (column 4)

Net long term liabilities (column 4)

General municipal activities

Municipal enterprises

Net long term liabilities (column 4)

— Internal fund eliminations

Reserves and reserve funds

— column 1

— column 3

— column 4

Unappropriated balances (column 4)

Unappropriated balances (column 4)

— Current surplus (deficit)

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**REFERENCES TO OTHER SCHEDULES AND STATEMENTS**

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3 Temporary loans

3 Accounts payable and accrued liabilities

3-1 Accounts receivable (column 4)

— Internal fund eliminations

3 Other current liabilities

3 Net long term liabilities

3-8 Net long term liabilities (column 6)

General municipal activities (total)

Municipal enterprises (total)

Financial      Item 9  
Review

General municipal activities

Municipal enterprises

3-1 Investments (column 4)

— Municipal — own

3-4 Reserves — balance at the end of the year (total)

4 Reserve funds — balance at the end of the year (total)

3 Reserves and reserve funds

3 Unappropriated balances

1 Surplus (deficit) at the end of the year.

---

This schedule helps measure the effectiveness of the tax collection policy. It shows the "age" of taxes receivable at the end of the year, the amount of taxes billed during the year, and other significant transactions affecting taxes receivable.

Explanation of Captions

**Balance at the beginning of the year**

Taxation, charges, penalties and interest from prior years which were outstanding at the beginning of the year. The balance is analysed by age of unpaid taxes, and by penalties and interest.

**Increase during the year**

**Taxation revenue**

"Total taxation" for the year as reported on the *Analysis of Taxation* (1-2)

*Sewer rates and sewage service rates included in taxation but not added to the tax bills.*

Special charges included in "Total taxation" which are collected through the water billing system under section 380 (19) of The Municipal Act.

*Amounts added to the tax bills for collection purposes only.*

Amounts other than taxation, which have been added to the tax bills for collection, such as fees and public utility arrears. These items are *not* to be reported on the *Analysis of Taxation* (1-2).

**Penalties and interest added during the year**

Penalties and interest imposed during the year including accruals at December 31st.

**Reduction during the year**

**Taxes, penalties and interest received**

Current and prior years' taxes, amounts added to the tax bills for collection, penalties and interest, collected during the year.

**Discounts allowed**

Discounts allowed during the year for prepayment of taxes.

**Taxes written off**

Taxes written off during the year under section 76 of The Assessment Act and section 659 of The Municipal Act.

**Taxes transferred to tax sale or tax registration account**

Taxes, penalties and interest transferred during the year to the tax sale account under The Municipal Act or to the tax registration account under The Department of Municipal Affairs Act.

Specify any other reduction during the year in the space provided.

**Balance at the end of the year**

Taxation, charges penalties and interest which were outstanding at the end of the year. The balance is analysed by age of unpaid taxes, and by penalties and interest.

ITEMS ON 3-3

Taxation revenue

Penalties and interest added during the year

Discounts

Balance at the end of the year, adjusted by any allowance for uncollectable taxes as reported on *Continuity of Allowances and Reserves* (3-4).

REFERENCES TO OTHER SCHEDULES

- |     |   |
|-----|---|
| 1-1 | Taxation  |
| 1-2 | Total taxation  |
| 1-1 | Other — penalties and interest on taxes                   |
| 1-3 | Financial expenses — discount on taxes                    |
| 3-1 | Taxes, after deducting allowance for uncollectable taxes. |



**This schedule reports the transactions of allowances and reserves.**

This Instruction is to be read in conjunction with Bulletin 4, RESERVES, ALLOWANCES, RESERVE FUNDS AND OTHER SPECIAL FUNDS.

Supplementary sheets should be used if necessary.

Explanation of Captions

**Balance at the beginning of the year**

The balance carried forward from the end of the previous year.

**Additions**

Amounts added during the year, including the amount provided from the revenue fund.

These additions are to be specified.

**Deductions**

Where losses are experienced for which an allow-

ance has been provided, the loss is to be reported here.

Also report here allowances and reserves which are no longer required and which have been transferred back to the revenue fund.

All deductions are to be specified.

**Balance at the end of the year**

On the *Analysis of Assets* (3-1), allowances are deducted from the assets to which they relate. Reserves are reported in total on the *Analysis of Liabilities* (3-2).

ITEMS ON 3-4

*Allowances*

Additions—current year's provision (total)

*Reserves*

Additions—current year's provision (total)

Deductions—contributions from reserves for capital expenditure (each item)

Balance at the end of the year (total)

REFERENCES TO OTHER SCHEDULES AND STATEMENTS

1-3 Financial expenses—provision for allowances

1-6 Provisions from the revenue fund — for reserves (total of column 3)

2-3 Contributions from reserve funds and reserves

Financial Item 13 — Reserves  
Review

3-2 Reserves (column 1)

This schedule shows the difference between the amounts levied for, and the amounts required by, those bodies or purposes for which the municipality is required to levy taxes.

#### Explanation of Captions

The bodies or purposes for which information is to be reported are those listed on the *Analysis of Taxation* (1-2) for which the municipality levies taxes other than for general municipal purposes.

The information relating to police villages and special areas is reported respectively on the *Continuity of Account for the Police Village* (3-6) and the *Continuity of Account for a Special Area* (3-7).

Further details relating to boards of education are reported on the *Analysis of the Education Levy* (1-7).

This schedule therefore reports the information relating to the county, special charges and boards of education.

If, in the opinion of the municipal treasurer or auditor, the per capita grant has been significantly over-applied or under-applied, details are also to be reported on this schedule.

#### Explanation of Column Headings

##### **Balance at the beginning of the year (column 1)**

The balance, at January 1, of the amounts overlevied or (underlevied).

##### **Amount levied (column 2)**

The applicable taxes (including supplementary taxes) as reported in column 7, *Analysis of Taxation* (1-2) are to be reported here in total, plus

(a) For the county and boards of education, their share of any payments in lieu of taxes received by the municipality such as those from the Hydro-Electric Power Commission of Ontario and the Ontario Housing Corporation.

(b) For the county and boards of education, their share of any mining revenue payments in respect of mines' profits.

(c) For boards of education, their share of trailer licence fees and pupil fees arising from municipal trailer camps.

(d) Amounts received from ratepayers, after the issue of debentures, for the commutation of special charges.

Charge-backs resulting from any adjustment to the taxes levied are not to be reflected here but are to be reported on the *Analysis of Revenue* (1-1) under "Other" in one of the spaces provided.

##### **Amount required (column 3)**

The amounts requisitioned or required for the year, plus

(a) The applicable amounts of supplementary taxes as reported in Column 6, *Analysis of Taxation* (1-2).

(b) For boards of education, their share of trailer licence fees and pupil fees arising from municipal trailer camps.

(c) The amount of commuted special charges which is required to retire the related long term liabilities.

The amounts reported for county and education purposes should agree with the corresponding entries on the *Analysis of Expenditure* (1-3).

##### **Excess or (deficiency) in the amount levied (column 4)**

The difference between column 2 and 3. An excess results when column 2 exceeds column 3 and a deficiency results when column 3 exceeds column 2. If the total of column 4 is an excess, it is to be included on the *Analysis of Expenditure* (1-3) under "Financial expenses—Unclassified" and if a deficiency, on the *Analysis of Revenue* (1-1) under "Other" in one of the spaces provided.

##### **Balance at the end of the year (column 5)**

The sum of columns (1) and (4).

An accumulated excess is an overlevy of taxes. It is a deferred revenue and should be reported on the *Analysis of Liabilities* (3-2) under "Other current liabilities". An accumulated deficiency is an underlevy of taxes. It is a deferred charge, and should be reported on the *Analysis of Assets* (3-1) under "Other current assets".

#### ITEMS ON 3-5

School boards—column 3 (Public, Separate and Secondary)

County—column 3

Local improvement charges—column 2

Other—column 2 (individual items)

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#### REFERENCES TO OTHER SCHEDULES

1-7 Column 6 plus column 8 plus column 9  
(Public, Separate and Secondary)

1-3 Education (Public, Separate & Secondary)

1-3 County—share of expenditure

1-2 Special charges—Local improvement  
charges—column 7

1-2 Special charges—column 7 (individual  
items)

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Identify the police village in the space provided in the title.



**This schedule reports the expenditure incurred by the municipality for a special area, and the related revenue.**

Identify the special area in the space provided in the title.

Explanation of Captions — Revenue

**Taxation: Special area rate**

The applicable special area rate as reported in column 7 of *Analysis of Taxation* (1-2). In the municipality's *Analysis of Expenditure* (1-3) this amount is to be included in the appropriate functional classification.

**Service charges**

Charges for services rendered to owners or occupants in the special area.

**Other revenue**

Specify any other revenue which is related to the special area.

Explanation of Captions — Expenditure

The content of the expenditure classification is discussed in Bulletin 2, THE FUNCTIONAL CLASSIFICATION OF EXPENDITURE, which is to be read in conjunction with this instruction.

The balance receivable from (or payable to) the municipality at the end of the year is to be specified on the *Analysis of Liabilities* (3-2) under "Accounts payable—Local boards and other funds", (or on the *Analysis of Assets* (3-1) under "Accounts receivable—Local boards and other funds").

ITEMS ON 3-7

Taxation: special area rate

REFERENCES TO OTHER SCHEDULES

1-2 Special area rates — column 7

**This schedule classifies outstanding liabilities according to the purpose for which they were incurred.**

### Explanation of Captions

The content of the schedule is presented according to the functions described in Bulletin 2, **THE FUNCTIONAL CLASSIFICATION OF EXPENDITURE** which is to be read in conjunction with this instruction.

### Explanation of Column Headings

#### **Long term liabilities—Incurred by the municipality (column 1)**

For a definition of long term liabilities, see Bulletin 3, **NET LONG TERM LIABILITIES**, pages 302 and 303. Include here as long term liabilities any *long term* bank indebtedness arranged specifically for capital purposes and to be repaid over a fixed number of years (do *not* include temporary borrowing arranged pending the raising of permanent, long term financing).

Debentures are to be included in "long term liabilities" only when the cash has actually been received for them.

#### **Long term liabilities—Assumed from others (column 2)**

The amount of long term liabilities unmatured at the end of the year which were incurred by other municipalities and assumed from them.

### ITEMS ON 3-8

Net long term liabilities (column 6, totals General municipal activities and Municipal enterprises)

Totals of columns 1, 2, 3, 5 and 6

#### **Long term liabilities—Assumed by others (column 3)**

The long term liabilities unmatured at the end of the year, included in column 1, which have been assumed by other municipalities, divisional boards of education, or, in the case of administration of justice, by the Province.

#### **Long term liabilities—Total (column 4)**

The total of columns 1 + 2 — 3.

#### **Total value of sinking funds and O.W.R.C. debt retirement fund (column 5)**

The amount of the municipality's accumulations in the debt retirement fund of the Ontario Water Resources Commission (O.W.R.C.) as reported annually **to the municipality** by the O.W.R.C. as "fund position at December 31", and identified as "debt retirement"; and the total value of the sinking funds of the municipality as at December 31 (that is, the actuarial requirements, plus any fund balance, as reported on the *Sinking Fund Balance Sheet*).

#### **Net long term liabilities (column 6)**

Column 4 less column 5.

### REFERENCES TO OTHER SCHEDULES AND STATEMENTS

3-2 Net long term liabilities (column 4, General municipal activities and Municipal enterprises).

Financial Review Item 9 — Net long term liabilities — General municipal activities and Municipal enterprises.

7 *Notes to Financial Statements* — note relating to net long term liabilities.

**This schedule shows the source of direct long term liabilities incurred by the municipality which are unmatured at the end of the year, less the resources accumulated for their retirement.**

This schedule only reflects debentures actually sold and other long term liabilities actually incurred by the municipality. Debt issued by the municipality and assumed by others *is* included (for example, debt issued for school purposes and now assumed by divisional school boards), but debt issued by other municipalities and assumed by the municipality is *not* to be reported on this schedule.

Explanation of Captions

**Governments and agencies thereof**

The amount of all unmatured debentures and other long term liabilities owing to governments and their agencies at the end of the year.

**The public**

The amount of debentures issued by the municipality to the public and unmatured at the end of the year, less the total value of sinking funds of the municipality at the year end (i.e. "Actuarial requirements" plus any "Fund balance" as reported on the *Sinking Fund Balance Sheet*).

**Direct long term liabilities at the end of the year**  
(net of resources accumulated for debt retirement)

This total agrees with the total of column 1 less column 5 on *Analysis of Net Long Term Liabilities* (3-8).









## MEMORANDA ABOUT SUBSIDIES AND LOANS

The Municipal Subsidies Branch issues the following memoranda on subsidy and loan programs for which the Department of Municipal Affairs is responsible:

### THE RESIDENTIAL PROPERTY TAX REDUCTION ACT

- Memorandum No. 1 - instructing treasurers on steps to be taken in April 1968
- Memorandum No. 2 - assisting treasurers to calculate and allow the tax reduction, and to notify the taxpayers
- Memorandum No. 3 - *The Relationship Between Municipalities, Mortgagors and Mortgagees*
- Memorandum No. 4 - *Claim for Reimbursement*
- Memorandum No. 5 - informing treasurers about amendments to the Act and the Regulations which have been introduced
- Memorandum No. 6 - setting out the procedure for making claims for reimbursement for a part of the year

### THE MUNICIPAL AND SCHOOL TAX CREDIT ACT

- Memorandum - *Municipal and School Tax Credits*

### THE DRAINAGE ACT

- Memorandum No. 1 - the 1968 amendments to the Act

### THE WINTER WORKS INCENTIVE PROGRAM - 1967-68

- Memorandum No. 1 - *Details of the Program*
- Memorandum No. 2 - *Concerning Designated Areas and Areas of High Winter Unemployment*

For any of these memoranda, write:

The Director  
Municipal Subsidies Branch  
Department of Municipal Affairs  
801 Bay Street  
TORONTO 5, Ontario





3 1761 11547477 7

